

SELECT CHAPTERS AND PASSAGES

FROM

THE WEALTH OF NATIONS

OR

ADAM SMITH

New York

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AND LONDON

1895

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ADAM SMITH was born at Kirkcaldy in Fifeshire, Scotland, on June 5, 1723. In 1737 he went to the University of Glasgow, and thence, in 1740, to Balliol College, Oxford, with an exhibition on the Snell foundation. At Oxford he remained uninterruptedly for over six years. Returning to Kirkcaldy in 1746, he lived for two years with his widowed mother, continuing his studies. In 1748 he delivered a course of lectures on rhetoric and belles lettres during the winter at Edinburgh, under the patronage of Lord Kames, and it was then that he formed his friendship with David Hume. In 1751 he became Professor of Logic in the University of Glasgow, and in 1752 Professor of Moral Philosophy. The publication of his *Theory of Moral Sentiments* in 1759 established his literary reputation. In 1763 he resigned his professorship to take charge of the young Duke of Buccleugh during his continental travels, and he resided abroad, chiefly in Paris and Toulouse, for nearly three years. During this time he made the acquaintance of Quesnay and Turgot and others of the French "Économistes" or "Physiocrates." In 1766 he went home again to Kirkcaldy, and remained in retirement there for ten years, working at his *Wealth of Nations*, which appeared in 1776. Made famous by this book, he spent the next two years in the literary society of London, and joined the Club over

which Johnson presided. In 1778 he was appointed one of the Commissioners of Customs for Scotland, and accordingly removed to Edinburgh, where he dwelt until his death in 1790.

Of the *Wealth of Nations* five editions appeared during his lifetime, it has been frequently reprinted since, and it has been translated into all the chief languages of Europe. It has been edited and annotated by, among others, McCulloch (1828, 1850), Thorold Rogers (1869), and Professor Nicholson (1884).

The materials for his life are meagre, and recent accounts are based chiefly upon Dugald Stewart's *Memoir*, written in 1793. There is a brief *Life* by Mr R. B. Haldane (1887), which contains a kind of abstract of the *Wealth of Nations* with a running criticism, and there is appended to it a useful Bibliography. The *Catalogue of Adam Smith's Library*, edited by Mr. James Bonar (1894), contains also his will, the reproduction of an autograph, a plan of his house and garden at Kirkcaldy, and a critical account of the various extant portraits.

The portions here printed make up between a sixth and a fifth of the book. They have not been selected as containing necessarily the most interesting or well-written or important parts of the treatise; the intention has been, rather, to present in a brief compass a general view of the whole of Adam Smith's economic philosophy. Accordingly, not only have many illustrations been pared away, but whole sections of the book, for instance those describing the colonial policy of England and the action of the East India Company, have been omitted. Thus the

treatise is, perhaps, made to assume a more exclusively theoretic character than the perusal of the original might lead some to attach to it. Those who wish to study contemporary conditions as they appeared to Adam Smith, or to form a complete estimate of his intellectual interests, must have recourse to the original. But the present selection omits, it is believed, nothing that enters into the real structure of Adam Smith's argument, it may serve to show that the historical and descriptive passages were, after all, only illustrations, and quite subsidiary, and it may bring out more clearly the relation of his work to that of subsequent English economists.

The text here given is that of the first edition. The few passages omitted in the third edition, that of 1784, are placed within round brackets, those there added, within square brackets.

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AN INQUIRY INTO THE NATURE AND CAUSES OF THE WEALTH OF NATIONS.

INTRODUCTION AND PLAN OF THE WORK

THE annual labour of every nation is the fund which originally supplies it with all the necessities and conveniences of life which it annually consumes, and which consist always either in the immediate produce of that labour, or in what is purchased with that produce from other nations.

According, therefore, as this produce, or what is purchased with it, bears a greater or smaller proportion to the number of those who are to consume it, the nation will be better or worse supplied with all the necessities and conveniences for which it has occasion.

But this proportion must, in every nation, be regulated by two different circumstances, first, by the skill, dexterity, and judgment with which its labour is generally applied; and, secondly, by the proportion between the number of those who are employed in useful labour, and that of those who are not so employed. Whatever be the soil, climate, or extent of territory of any particular nation, the abundance or

scantiness of its annual supply must, in that particular situation, depend upon those two circumstances.

The abundance or scantiness of this supply, too, seems to depend more upon the former of those two circumstances than upon the latter. Among the savage nations of hunters and fishers, every individual who is able to work, is more or less employed in useful labour, and endeavours to provide, as well as he can, the necessaries and conveniences of life, for himself, or such of his family or tribe as are either too old, or too young, or too infirm to go a hunting and fishing. Such nations, however, are so miserably poor, that from mere want, they are frequently reduced, or, at least, think themselves reduced, to the necessity sometimes of directly destroying, and sometimes of abandoning their infants, their old people, and those afflicted with lingering diseases, to perish with hunger, or to be devoured by wild beasts. Among civilized and thriving nations, on the contrary, though a great number of people do not labour at all, many of whom consume the produce of ten times, frequently of a hundred times more labour than the greater part of those who work; yet the produce of the whole labour of the society is so great, that all are often abundantly supplied, and a workman, even of the lowest and poorest order, if he is frugal and industrious, may enjoy a greater share of the necessaries and conveniences of life than it is possible for any savage to acquire. The causes of this improvement in the productive powers of labour, and the order according to which its produce is naturally distributed among the different ranks and conditions of men in the society, make the subject of the First Book of this Inquiry.

Whatever be the actual state of the skill, dexterity, and judgment with which labour is applied in any nation, the abundance or scantiness of its annual supply must depend, during the continuance of that state, upon the proportion between the number of those who are annually employed in useful labour, and that of those who are not so employed. The number of useful and productive labourers, it will hereafter appear, is everywhere in proportion to the quantity of capital stock which is employed in setting them to work, and to the particular way in which it is so employed. The Second Book, therefore, treats of the nature of capital stock, of the manner in which it is gradually accumulated, and of the different quantities of labour which it puts into motion, according to the different ways in which it is employed.

Nations, tolerably well advanced as to skill, dexterity, and judgment, in the application of labour, have followed very different plans in the general conduct or direction of it, and those plans have not all been equally favourable to the greatness of its produce. The policy of some nations has given extraordinary encouragement to the industry of the country, that of others to the industry of towns. Scarce any nation has dealt equally and impartially with every sort of industry. Since the downfall of the Roman empire, the policy of Europe has been more favourable to arts, manufactures, and commerce, the industry of towns, than to agriculture, the industry of the country. The circumstances which seem to have introduced and established this policy are explained in the Third Book.

Though these different plans were, perhaps, first introduced by the private interests and prejudices of particular

orders of men, without any regard to, or foresight of, their consequences upon the general welfare of the society, yet they have given occasion to very different theories of political economy, of which some magnify the importance of that industry which is carried on in towns, others of that which is carried on in the country. Those theories have had a considerable influence, not only upon the opinions of men of learning, but upon the public conduct of princes and sovereign states I have endeavoured in the Fourth Book, to explain those different theories, and the principal effects which they have produced in different ages and nations

To explain in what has consisted the revenue of the great body of the people, or what has been the nature of those funds, which, in different ages and nations, have supplied their annual consumption, is the object of these four first Books. The Fifth and last Book treats of the revenue of the sovereign, or commonwealth . . .

BOOK I.

OF THE CAUSES OF IMPROVEMENT IN THE PRODUCTIVE
POWERS OF LABOUR, AND OF THE ORDER ACCORD-
ING TO WHICH ITS PRODUCE IS NATURALLY DIS-
TRIBUTED AMONG THE DIFFERENT RANKS OF THE
PEOPLE

CHAPTER I.

OF THE DIVISION OF LABOUR

THE greatest improvement in the productive powers of Labour, and the greater skill, dexterity, and judgment with which it is anywhere directed, or applied, seem to have been the effects of the division of labour

The effects of the division of labour, in the general business of society, will be more easily understood by considering in what manner it operates in some particular manufactures. It is commonly supposed to be carried furthest in some very trifling ones, not perhaps that it really is carried further in them than in others of more importance. but in those trifling manufactures which are destined to supply the small wants of but a small number of people, the whole number of workmen must necessarily be small, and those employed in every different branch of the work can often be collected into the same workshop, and

placed at once under the view of the spectator. In those great manufactures, on the contrary, which are destined to supply the great wants of the great body of the people, every different branch of the work employs so great a number of workmen, that it is impossible to collect them all into the same workshop. We can seldom see more, at one time, than those employed in one single branch. Though in such manufactures, therefore, the work may really be divided into a much greater number of parts, than in those of a more trifling nature, the division is not near so obvious, and has accordingly been much less observed.

To take an example, therefore, from a very trifling manufacture, but one in which the division of labour has been very often taken notice of, the trade of the pin-maker; a workman not educated to this business (which the division of labour has rendered a distinct trade), nor acquainted with the use of the machinery employed in it (to the invention of which the same division of labour has probably given occasion), could scarce, perhaps, with his utmost industry, make one pin in a day, and certainly could not make twenty. But in the way in which this business is now carried on, not only the whole work is a peculiar trade, but it is divided into a number of branches, of which the greater part are likewise peculiar trades. One man draws out the wire, another straightens it, a third cuts it, a fourth points it, a fifth grinds it at the top for receiving the head: to make the head requires two or three distinct operations; to put it on is a peculiar business; to whiten the pins is another; it is even a trade by itself to put them into the

paper; and the important business of making a pin is, in this manner, divided into about eighteen distinct operations, which, in some manufactories, are all performed by distinct hands, though in others the same man will sometimes perform two or three of them I have seen a small manufactory of this kind where ten men only were employed, and where some of them consequently performed two or three distinct operations But though they were very poor, and therefore but indifferently accommodated with the necessary machinery, they could, when they exerted themselves, make among them about twelve pounds of pins in a day. There are in a pound upwards of four thousand pins of a middling size Those ten persons, therefore, could make among them upwards of forty-eight thousand pins in a day Each person, therefore, making a tenth part of forty-eight thousand pins, might be considered as making four thousand eight hundred pins in a day But if they had all wrought separately and independently, and without any of them having been educated to this peculiar business, they certainly could not each of them have made twenty, perhaps not one pin in a day, that is, certainly, not the two hundred and fortieth, perhaps not the four thousand eight hundredth part of what they are at present capable of performing, in consequence of a proper division and combination of their different operations

In every other art and manufacture, the effects of the division of labour are similar to what they are in this very trifling one; though, in many of them, the labour can neither be so much subdivided, nor reduced to so great a

simplicity of operation. The division of labour, however, so far as it can be introduced, occasions, in every art, a proportionable increase of the productive powers of labour. The separation of different trades and employments from one another, seems to have taken place, in consequence of this advantage. This separation, too, is generally carried furthest in those countries which enjoy the highest degree of industry and improvement; what is the work of one man in a rude state of society, being generally that of several in an improved one. In every improved society, the farmer is generally nothing but a farmer; the manufacturer, nothing but a manufacturer. The labour, too, which is necessary to produce any one complete manufacture, is almost always divided among a great number of hands. How many different trades are employed in each branch of the linen and woollen manufactures, from the growers of the flax and the wool, to the bleachers and smoothers of the linen, or to the dyers and dressers of the cloth! The nature of agriculture, indeed, does not admit of so many subdivisions of labour, nor of so complete a separation of one business from another, as manufactures. It is impossible to separate so entirely the business of the grazier from that of the corn-farmer, as the trade of the carpenter is commonly separated from that of the smith. The spinner is almost always a distinct person from the weaver; but the ploughman, the harrower, the sower of the seed, and the reaper of the corn, are often the same. The occasions for those different sorts of labour returning with the different seasons of the year, it is impossible that one man should be constantly employed in any one of them. This impossi-

bility of making so complete and entire a separation of all the different branches of labour employed in agriculture, is perhaps the reason why the improvement of the productive powers of labour in this art does not always keep pace with their improvement in manufactures. The most opulent nations, indeed, generally excel all their neighbours in agriculture as well as in manufactures, but they are commonly more distinguished by their superiority in the latter than in the former. Their lands are in general better cultivated, and having more labour and expense bestowed on them, produce more in proportion to the extent and natural fertility of the ground. But this superiority of produce is seldom much more than in proportion to the superiority of labour and expense. In agriculture, the labour of the rich country is not always much more productive than that of the poor; or, at least, it is never so much more productive, as it commonly is in manufactures. The corn of the rich country, therefore, will not always, in the same degree of goodness, come cheaper to market than that of the poor . . .

This great increase of the quantity of work, which, in consequence of the division of labour, the same number of people are capable of performing, is owing to three different circumstances; first, to the increase of dexterity in every particular workman; secondly, to the saving of the time which is commonly lost in passing from one species of work to another; and lastly, to the invention of a great number of machines which facilitate and abridge labour, and enable one man to do the work of many.

First, the improvement of the dexterity of the workman necessarily increases the quantity of the work he can per-

form, and the division of labour, by reducing every man's business to some one simple operation, and by making this operation the sole employment of his life, necessarily increases very much the dexterity of the workman. A common smith, who, though accustomed to handle the hammer, has never been used to make nails, if upon some particular occasion he is obliged to attempt it, will scarce, I am assured, be able to make above two or three hundred in a day, and those, too, very bad ones. A smith who has been accustomed to make nails, but whose sole or principal business has not been that of a nailer, can seldom with his utmost diligence make more than eight hundred or a thousand nails in a day. I have seen several boys under twenty years of age who had never exercised any other trade but that of making nails, and who, when they exerted themselves, could make, each of them, upwards of two thousand three hundred nails in a day. The making of a nail, however, is by no means one of the simplest operations. The same person blows the bellows, stirs or mends the fire as there is occasion, heats the iron, and forges every part of the nail. In forging the head too he is obliged to change his tools. The different operations into which the making of a pin, or of a metal button, is subdivided, are all of them much more simple, and the dexterity of the person, of whose life it has been the sole business to perform them, is usually much greater. The rapidity with which some of the operations of those manufactures are performed, exceeds what the human hand could, by those who had never seen them, be supposed capable of acquiring.

Secondly, the advantage which is gained by saving the time commonly lost in passing from one sort of work to another, is much greater than we should at first view be apt to imagine it. It is impossible to pass very quickly from one kind of work to another, that is carried on in a different place, and with quite different tools. A country weaver, who cultivates a small farm, must lose a good deal of time in passing from his loom to the field, and from the field to his loom. When the two trades can be carried on in the same workhouse, the loss of time is no doubt much less. It is even in this case, however, very considerable. A man commonly saunters a little in turning his hand from one sort of employment to another. When he first begins the new work he is seldom very keen and hearty, his mind, as they say, does not go to it, and for some time he rather trifles than applies to good purpose. The habit of sauntering and of indolent careless application, which is naturally, or rather necessarily, acquired by every country workman who is obliged to change his work and his tools every half hour, and to apply his hand in twenty different ways almost every day of his life, renders him almost always slothful and lazy, and incapable of any vigorous application even on the most pressing occasions. Independent, therefore, of his deficiency in point of dexterity, this cause alone must always reduce considerably the quantity of work which he is capable of performing.

Thirdly, and lastly, everybody must be sensible how much labour is facilitated and abridged by the application of proper machinery. It is unnecessary to give any example. I shall only observe, therefore, that the invention of

all those machines by which labour is so much facilitated and abridged, seems to have been originally owing to the division of labour. Men are much more likely to discover easier and readier methods of attaining any object, when the whole attention of their minds is directed towards that single object, than when it is dissipated among a great variety of things. But in consequence of the division of labour, the whole of every man's attention comes naturally to be directed towards some one very simple object. It is naturally to be expected, therefore, that some one or other of those who are employed in each particular branch of labour should soon find out easier and readier methods of performing their own particular work, wherever the nature of it admits of such improvement. A great part of the machines made use of in those manufactures in which labour is most subdivided, were originally the inventions of common workmen, who being each of them employed in some very simple operation, naturally turned their thoughts towards finding out easier and readier methods of performing it. Whoever has been much accustomed to visit such manufactures, must frequently have been shown very pretty machines, which were the inventions of such workmen, in order to facilitate and quicken their own particular part of the work. In the first fire-engines, a boy was constantly employed to open and shut alternately the communication between the boiler and the cylinder, according as the piston either ascended or descended. One of those boys, who loved to play with his companions, observed that, by tying a string from the handle of the valve which opened this communication, to another part of the machine, the valve would open

and shut without his assistance, and leave him at liberty to divert himself with his playfellows One of the greatest improvements that has been made upon this machine, since it was first invented, was in this manner the discovery of a boy who wanted to save his own labour.

All the improvements in machinery, however, have by no means been the inventions of those who had occasion to use the machines Many improvements have been made by the ingenuity of the makers of the machines, when to make them became the business of a peculiar trade, and some by that of those who are called philosophers or men of speculation, whose trade it is, not to do anything, but to observe everything, and who, upon that account, are often capable of combining together the powers of the most distant and dissimilar objects In the progress of society, philosophy or speculation becomes, like every other employment, the principal or sole trade and occupation of a particular class of citizens. Like every other employment too, it is subdivided into a great number of different branches, each of which affords occupation to a peculiar tribe or class of philosophers, and this subdivision of employment in philosophy, as well as in every other business, improves dexterity and saves time. Each individual becomes more expert in his own peculiar branch, more work is done upon the whole, and the quantity of science is considerably increased by it.

It is the great multiplication of the productions of all the different arts, in consequence of the division of labour, which occasions, in a well-governed society, that universal opulence which extends itself to the lowest ranks of the

people. Every workman has a great quantity of his own work to dispose of beyond what he himself has occasion for, and every other workman being exactly in the same situation, he is enabled to exchange a great quantity of his own goods for a great quantity, or, what comes to the same thing, for the price of a great quantity of theirs. He supplies them abundantly with what they have occasion for, and they accommodate him as amply with what he has occasion for, and a general plenty diffuses itself through all the different ranks of society.

Observe the accommodation of the most common artificer or day-labourer in a civilized and thriving country, and you will perceive that the number of people of whose industry a part, though but a small part, has been employed in procuring him this accommodation, exceeds all computation. The woollen coat, for example, which covers the day-labourer, as coarse and rough as it may appear, is the produce of the joint labour of a great multitude of workmen. The shepherd, the sorter of the wool, the wool-comber or carder, the dyer, the scribbler, the spinner, the weaver, the fuller, the dresser, with many others, must all join their different arts in order to complete even this homely production. . . . Without the assistance and co-operation of many thousands, the very meanest person in a civilized country could not be provided, even according to what we very falsely imagine the easy and simple manner in which he is commonly accommodated. Compared, indeed, with the more extravagant luxury of the great, his accommodation must no doubt appear extremely simple and easy; and yet it may be true, perhaps, that the accommodation of an European prince does not

always so much exceed that of an industrious and frugal peasant, as the accommodation of the latter exceeds that of many an African king, the absolute master of the lives and liberties of ten thousand naked savages

CHAPTER II.

OF THE PRINCIPLE WHICH GIVES OCCASION TO THE DIVISION OF LABOUR.

THIS division of labour, from which so many advantages are derived, is not originally the effect of any human wisdom, which foresees and intends that general opulence to which it gives occasion. It is the necessary, though very slow and gradual, consequence of a certain propensity in human nature which has in view no such extensive utility, the propensity to truck, barter, and exchange one thing for another.

Whether this propensity be one of those original principles in human nature, of which no further account can be given, or whether, as seems more probable, it be the necessary consequence of the faculties of reason and speech, it belongs not to our present subject to inquire. It is common to all men, and to be found in no other race of animals, which seem to know neither this nor any other species of contracts . . . Man has almost constant occasion for the help of his brethren, and it is in vain for him to expect it from their benevolence only. He will be more likely to prevail if he can interest their self-love in his favour, and show them that it is for their own advantage to do for him what he requires of them. Whoever offers to another a bargain of any kind, proposes to do this. Give me that which I want, and you shall have this which you want, is the mean-

ing of every such offer, and it is in this manner that we obtain from one another the far greater part of those good offices which we stand in need of It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest We address ourselves, not to their humanity, but to their self-love, and never talk to them of our own necessities, but of their advantages . . .

As it is by treaty, by barter, and by purchase, that we obtain from one another the greater part of those mutual good offices which we stand in need of, so it is this same trucking disposition which originally gives occasion to the division of labour. In a tribe of hunters or shepherds a particular person makes bows and arrows, for example, with more readiness and dexterity than any other. He frequently exchanges them for cattle or for venison with his companions; and he finds at last that he can in this manner get more cattle and venison, than if he himself went to the field to catch them From a regard to his own interest, therefore, the making of bows and arrows grows to be his chief business, and he becomes a sort of armourer Another excels in making the frames and covers of their little huts or movable houses He is accustomed to be of use in this way to his neighbours, who reward him in the same manner with cattle and with venison, till at last he finds it his interest to dedicate himself entirely to this employment, and to become a sort of house-carpenter. In the same manner a third becomes a smith, or a brazier, a fourth a tanner or dresser of hides or skins, the principal part of the cloathing of savages. And thus the certainty of being able to exchange all that

surplus part of the produce of his own labour, which is over and above his own consumption, for such parts of the produce of other men's labour as he may have occasion for, encourages every man to apply himself to a particular occupation, and to cultivate and bring to perfection whatever talent or genius he may possess for that particular species of business

The difference of natural talents in different men is, in reality, much less than we are aware of, and the very different genius which appears to distinguish men of different professions, when grown up to maturity, is not upon many occasions so much the cause, as the effect of the division of labour. The difference between the most dissimilar characters, between a philosopher and a common street porter, for example, seems to arise not so much from nature, as from habit, custom, and education. But without the disposition to truck, barter, and exchange, every man must have procured to himself every necessary and conveniency of life which he wanted All must have had the same duties to perform, and the same work to do, and there could have been no such difference of employment as could alone give occasion to any great difference of talent.

As it is this disposition which forms that difference of talents, so remarkable among men of different professions, so it is this same disposition which renders that difference useful. Many tribes of animals, acknowledged to be all of the same species, derive from nature a much more remarkable distinction of genius, than what, antecedent to custom and education, appears to take place among men. By nature a philosopher is not in genius and disposition half

so different from a street porter, as a mastiff is from a greyhound, or a greyhound from a spaniel, or this last from a shepherd's dog. Those different tribes of animals, however, though all of the same species, are of scarce any use to one another . Among men, on the contrary, the most dissimilar geniuses are of use to one another, the different produces of their respective talents, by the general disposition to truck, barter, and exchange, being brought, as it were, into a common stock, where every man may purchase whatever part of the produce of other men's talents he has occasion for.

CHAPTER III.

THAT THE DIVISION OF LABOUR IS LIMITED BY THE EXTENT OF THE MARKET.

As it is the power of exchanging that gives occasion to the division of labour, so the extent of this division must always be limited by the extent of that power, or, in other words, by the extent of the market. When the market is very small, no person can have any encouragement to dedicate himself entirely to one employment, for want of the power to exchange all that surplus part of the produce of his own labour, which is over and above his own consumption, for such part of the produce of other men's labour as he has occasion for.

There are some sorts of industry, even of the lowest kind, which can be carried on nowhere but in a great town. A porter, for example, can find employment and subsistence in no other place. A village is by much too narrow a sphere for him, even an ordinary market town is scarce large enough to afford him constant occupation. In the lone houses and very small villages which are scattered about in so desert a country as the Highlands of Scotland, every farmer must be butcher, baker, and brewer for his own family. In such situations we can scarce expect to find even a smith, a carpenter, or a mason, within less than twenty miles of another of the same trade. The scattered families that live at eight or ten miles' distance from the nearest of them,

must learn to perform themselves a great number of little pieces of work, for which in more populous countries they would call in the assistance of those workmen. Country workmen are almost everywhere obliged to apply themselves to all the different branches of industry that have so much affinity to one another as to be employed about the same sort of materials. A country carpenter deals in every sort of work that is made of wood a country smith in every sort of work that is made of iron. The former is not only a carpenter, but a joiner, a cabinet-maker, and even a carver in wood, as well as a wheel-wright, a plough-wright, a cart and waggon maker . . .

As, by means of water-carriage, a more extensive market is open to every sort of industry than what land-carriage alone can afford it, so it is upon the sea-coast, and along the banks of navigable rivers, that industry of every kind naturally begins to subdivide and improve itself, and it is frequently not till a long time after that those improvements extend themselves to the inland parts of the country. A broad-wheeled waggon, attended by two men and drawn by eight horses, in about six weeks' time carries and brings back between London and Edinburgh near four ton weight of goods. In about the same time a ship navigated by six or eight men, and sailing between the ports of London and Leith, frequently carries and brings back two hundred ton weight of goods. Six or eight men, therefore, by the help of water-carriage, can carry and bring back in the same time the same quantity of goods between London and Edinburgh, as fifty broad-wheeled waggons, attended by a hundred men and drawn by four hundred horses. Upon two hundred

tons of goods, therefore, carried by the cheapest land-carriage from London to Edinburgh, there must be charged the maintenance of a hundred men for three weeks, and both the maintenance, and, what is nearly equal to the maintenance, the wear and tear of four hundred horses as well as of fifty great waggons. Whereas, upon the same quantity of goods carried by water, there is to be charged only the maintenance of six or eight men, and the wear and tear of a ship of two hundred tons burthen, together with the value of the superior risk, or the difference of the insurance between land and water carriage.

Since such therefore are the advantages of water-carriage, it is natural that the first improvements of art and industry should be made where this conveniency opens the whole world for a market to the produce of every sort of labour, and that they should always be much later in extending themselves into the inland parts of the country. The inland parts of the country can for a long time have no other market for the greater part of their goods, but the country which lies round about them, and separates them from the sea-coast, and the great navigable rivers. The extent of their market, therefore, must for a long time be in proportion to the riches and populousness of that country, and consequently their improvement must always be posterior to the improvement of that country. . . .

The nations that, according to the best authenticated history, appear to have been first civilized, were those that dwelt round the coast of the Mediterranean Sea. That sea, by far the greatest inlet that is known in the world, having no tides, nor consequently any waves except such as are

caused by the wind only, was, by the smoothness of its surface, as well as by the multitude of its islands, and the proximity of its neighbouring shores, extremely favourable to the infant navigation of the world, when, from their ignorance of the compass, men were afraid to quit the view of the coast, and from the imperfection of the art of ship-building, to abandon themselves to the boisterous waves of the ocean . . .

CHAPTER IV.

OF THE ORIGIN AND USE OF MONEY.

WHEN the division of labour has been once thoroughly established, it is but a very small part of a man's wants which the produce of his own labour can supply. He supplies the far greater part of them by exchanging that surplus part of the produce of his own labour, which is over and above his own consumption, for such parts of the produce of other men's labour as he has occasion for. Every man thus lives by exchanging, or becomes in some measure a merchant, and the society itself grows to be what is properly a commercial society.

But, when the division of labour first began to take place, this power of exchanging must frequently have been very much clogged and embarrassed in its operations. One man, we shall suppose, has more of a certain commodity than he himself has occasion for, while another has less. The former consequently would be glad to dispose of, and the latter to purchase, a part of this superfluity. But, if this latter should chance to have nothing that the former stands in need of, no exchange can be made between them. The butcher has more meat in his shop than he himself can consume, and the brewer and the baker would each of them be willing to purchase a part of it. But they have nothing to offer in exchange, except the different productions of

their respective trades, and the butcher is already provided with all the bread and beer which he has immediate occasion for. No exchange can, in this case, be made between them. He cannot be their merchant, nor they his customers, and they are all of them thus mutually less serviceable to one another. In order to avoid the inconveniency of such situations, every prudent man in every period of society, after the first establishment of the division of labour, must naturally have endeavoured to manage his affairs in such a manner as to have at all times by him, besides the peculiar produce of his own industry, a certain quantity of some one commodity or other, such as he imagined few people would be likely to refuse in exchange for the produce of their industry.

Many different commodities, it is probable, were successively both thought of and employed for this purpose. In the rude ages of society, cattle are said to have been the common instrument of commerce; and, though they must have been a most inconvenient one, yet in old times we find things were frequently valued according to the number of cattle which had been given in exchange for them. . . .

In all countries, however, men seem at last to have been determined by irresistible reasons to give the preference, for this employment, to metals above every other commodity. Metals cannot only be kept with as little loss as any other commodity, scarce anything being less perishable than they are, but they can likewise, without any loss, be divided into any number of parts, as by fusion those parts can easily be re-united again, a quality which no other equally durable commodities possess, and which more than

any other quality renders them fit to be the instruments of commerce and circulation. The man who wanted to buy salt, for example, and had nothing but cattle to give in exchange for it, must have been obliged to buy salt to the value of a whole ox, or a whole sheep, at a time. He could seldom buy less than this, because what he was to give for it could seldom be divided without loss, and if he had a mind to buy more, he must, for the same reasons, have been obliged to buy double or triple the quantity, the value, to wit, of two or three oxen, or of two or three sheep. If, on the contrary, instead of sheep or oxen, he had metals to give in exchange for it, he could easily proportion the quantity of the metal to the precise quantity of the commodity which he had immediate occasion for.

Different metals have been made use of by different nations for this purpose. Iron was the common instrument of commerce among the ancient Spartans; copper among the ancient Romans; and gold and silver among all rich and commercial nations.

Those metals seem originally to have been made use of for this purpose in rude bars, without any stamp or coinage . . .

The use of metals in this rude state was attended with two very considerable inconveniences; first, with the trouble of weighing, and, secondly, with that of assaying them. In the precious metals, where a small difference in the quantity makes a great difference in the value, even the business of weighing, with proper exactness, requires at least very accurate weights and scales. The weighing of gold in particular is an operation of some nicety. In the coarser metals, in-

deed, where a small error would be of little consequence, less accuracy would, no doubt, be necessary. Yet we should find it excessively troublesome, if every time a poor man had occasion either to buy or sell a farthing's worth of goods, he was obliged to weigh the farthing. The operation of assaying is still more difficult, still more tedious, and, unless a part of the metal is fairly melted in the crucible, with proper dissolvents, any conclusion that can be drawn from it, is extremely uncertain. Before the institution of coined money, however, unless they went through this tedious and difficult operation, people must always have been liable to the grossest frauds and impositions, and instead of a pound weight of pure silver, or pure copper, might receive in exchange for their goods an adulterated composition of the coarsest and cheapest materials, which had, however, in their outward appearance been made to resemble those metals. To prevent such abuses, to facilitate exchanges, and thereby to encourage all sorts of industry and commerce, it has been found necessary, in all countries that have made any considerable advances towards improvement, to affix a public stamp upon certain quantities of such particular metals as were in those countries commonly made use of to purchase goods. Hence the origin of coined money, and of those public offices called mints, institutions exactly of the same nature with those of the aulnagers and stampmasters of woollen and linen cloth. All of them are equally meant to ascertain, by means of a public stamp, the quantity and uniform goodness of those different commodities when brought to market.

The first public stamps of this kind that were affixed to

the current metals, seem in many cases to have been intended to ascertain, what it was both most difficult and most important to ascertain, the goodness or fineness of the metal, and to have resembled the sterling mark which is at present affixed to plate and bars of silver, or the Spanish mark which is sometimes affixed to ingots of gold, and which being struck only upon one side of the piece, and not covering the whole surface, ascertains the fineness, but not the weight of the metal. Abraham weighs to Ephion the four hundred shekels of silver which he had agreed to pay for the field of Machpelah They are said however to be the current money of the merchant, and yet are received by weight and not by tale, in the same manner as ingots of gold and bars of silver are at present. . . .

The inconvenience and difficulty of weighing those metals with exactness gave occasion to the institution of coins, of which the stamp, covering entirely both sides of the piece and sometimes the edges too, was supposed to ascertain not only the fineness, but the weight of the metal Such coins therefore were received by tale as at present, without the trouble of weighing. . . .

It is in this manner that money has become, in all civilized nations, the universal instrument of commerce, by the intervention of which goods of all kinds are bought and sold, or exchanged for one another.

What are the rules which men naturally observe in exchanging them either for money or for one another, I shall now proceed to examine. These rules determine what may be called the relative or exchangeable value of goods.

The word **VALUE**, it is to be observed, has two different

meanings, and sometimes expresses the utility of some particular object, and sometimes the power of purchasing other goods which the possession of that object conveys. The one may be called "value in use", the other, "value in exchange." The things which have the greatest value in use have frequently little or no value in exchange, and, on the contrary, those which have the greatest value in exchange have frequently little or no value in use. Nothing is more useful than water but it will purchase scarce anything, scarce anything can be had in exchange for it. A diamond, on the contrary, has scarce any value in use, but a very great quantity of other goods may frequently be had in exchange for it.

In order to investigate the principles which regulate the exchangeable commodities, I shall endeavour to show,

- ✓ I What is the real measure of this exchangeable value, or, wherein consists the real price of all commodities
- ✓ II What are the different parts of which this real price is composed or made up

III And what are the different circumstances which sometimes raise some or all of these different parts of price above, and sometimes sink them below, their natural or ordinary rate; or, what are the causes which sometimes hinder the market price, that is, the actual price, of commodities, from coinciding exactly with what may be called their natural price. .

CHAPTER V

OF THE REAL AND NOMINAL PRICE OF COMMODITIES, OR OF THEIR PRICE IN LABOUR, AND THEIR PRICE IN MONEY.

EVERY man is rich or poor according to the degree in which he can afford to enjoy the necessaries, conveniences, and amusements of human life. But after the division of labour has once thoroughly taken place, it is but a very small part of these with which a man's own labour can supply him. The far greater part of them he must derive from the labour of other people, and he must be rich or poor according to the quantity of that labour which he can command, or which he can afford to purchase. The value of any commodity, therefore, to the person who possesses it, and who means not to use or consume it himself, but to exchange it for other commodities, is equal to the quantity of labour which it enables him to purchase or command. Labour, therefore, is the real measure of the exchangeable value of all commodities.

The real price of everything, what everything really costs to the man who wants to acquire it, is the toil and trouble of acquiring it. What everything is really worth to the man who has acquired it, and who wants to dispose of it or exchange it for something else, is the toil and trouble which it can save to himself, and which it can impose upon other people. What is bought with money or with goods is pur-

chased by labour, as much as what we acquire by the toil of our own body. That money or those goods indeed save us this toil. They contain the value of a certain quantity of labour, which we exchange for what is supposed at the time to contain the value of an equal quantity. Labour was the first price, the original purchase money that was paid for all things. It was not by gold or by silver, but by labour, that all the wealth of the world was originally purchased, and its value, to those who possess it, and who want to exchange it for some new productions, is precisely equal to the quantity of labour which it can enable them to purchase or command.

[Wealth, as Mr. Hobbes says, is power. But the person who either acquires, or succeeds to a great fortune, does not necessarily acquire or succeed to any political power, either civil or military. His fortune may perhaps afford him the means of acquiring both, but the mere possession of that fortune does not necessarily convey to him either. The power which that possession immediately and directly conveys to him, is the power of purchasing a certain command over all the labour, or over all the produce of labour which is then in the market. His fortune is greater or less precisely in proportion to the extent of this power, or to the quantity of other men's labour, or, what is the same thing, of the produce of other men's labour, which it enables him to purchase or command. The exchangeable value of everything must always be precisely equal to the extent of this power which it will convey to its owner.]

But though labour be the real measure of the exchangeable value of all commodities, it is not that by which their value is commonly estimated. It is often difficult to ascer-

tain the proportion between two different quantities of labour. The time spent in two different sorts of work will not always alone determine this proportion. The different degrees of hardship endured, and of ingenuity exercised, must likewise be taken into account. There may be more labour in an hour's hard work than in two hours' easy business; or in an hour's application to a trade which it cost ten years' labour to learn, than in a month's industry at an ordinary and obvious employment. But it is not easy to find any accurate measure either of hardship or ingenuity. In exchanging indeed the different productions of different sorts of labour for one another, some allowance is commonly made for both. It is adjusted, however, not by any accurate measure, but by the higgling and the bargaining of the market, according to that sort of rough equality which, though not exact, is yet sufficient for carrying on the business of common life.

Every commodity, besides, is more frequently exchanged for, and thereby compared with, other commodities than with labour. It is more natural therefore to estimate its exchangeable value by the quantity of some other commodity, than by that of the labour which it can purchase. The greater part of people too understand better what is meant by a quantity of a particular commodity than by a quantity of labour. The one is a plain and palpable object; the other an abstract notion, which, though it can be made sufficiently intelligible, is not altogether so natural and obvious.

But, when barter ceases, and money has become the common instrument of commerce, every particular commodity is more frequently exchanged for money than for any other

commodity. . . . Hence it comes to pass, that the exchangeable value of every commodity is more frequently estimated by the quantity of money, than by the quantity either of labour or of any other commodity which can be had in exchange for it

Gold and silver, however, like every other commodity, vary in their value, are sometimes cheaper and sometimes dearer, sometimes of easier and sometimes of more difficult purchase. The quantity of labour which any particular quantity of them can purchase or command, or the quantity of other goods which it will exchange for, depends always upon the fertility or barrenness of the mines which happen to be known about the time when such exchanges are made. The discovery of the abundant mines of America reduced, in the sixteenth century, the value of gold and silver in Europe to about a third of what it had been before. As it costs less labour to bring those metals from the mine to the market, so when they were brought thither they could purchase or command less labour, and this revolution in their value, though perhaps the greatest, is by no means the only one of which history gives some account. But as a measure of quantity, such as the natural foot, fathom, or handful, which is continually varying in its own quantity, can never be an accurate measure of the quantity of other things, so a commodity, which is itself continually varying in its own value, can never be an accurate measure of the value of other commodities. Equal quantities of labour must, at all times and places, be [= may be said to be] of equal value to the labourer. [In his ordinary state of health, strength, and spirits, in the ordinary degree of his skill and dexterity,] he must always lay

down the same portion of his ease, his liberty, and his happiness. The price which he pays must always be the same, whatever may be the quantity of goods which he receives in return for it. Of these, indeed, it may sometimes purchase a greater and sometimes a smaller quantity, but it is their value which varies, not that of the labour which purchases them. At all times and places that is dear which it is difficult to come at, or which it costs much labour to acquire, and that cheap which is to be had easily, or with very little labour. Labour alone, therefore, never varying in its own value, is alone the ultimate and real standard by which the value of all commodities can at all times and places be estimated and compared. It is their real price; money is their nominal price only.

But though equal quantities of labour are always of equal value to the labourer, yet to the person who employs him they appear sometimes to be of greater and sometimes of smaller value. He purchases them sometimes with a greater and sometimes with a smaller quantity of goods, and to him the price of labour seems to vary like that of all other things. It appears to him dear in the one case, and cheap in the other. In reality, however, it is the goods which are cheap in the one case, and dear in the other.

In this popular sense, therefore, Labour, like commodities, may be said to have a real and a nominal price. Its real price may be said to consist in the quantity of the necessaries and conveniences of life which are given for it; its nominal price, in the quantity of money. The labourer is rich or poor, is well or ill rewarded, in proportion to the real, not to the nominal price of his labour.

The distinction between the real and the nominal price of commodities and labour, is not a matter of mere speculation, but may sometimes be of considerable use in practice. The same real price is always of the same value, but on account of the variations in the value of gold and silver, the same nominal price is sometimes of very different values. When a landed estate, therefore, is sold with a reservation of a perpetual rent, if it is intended that this rent should always be of the same value, it is of importance to the family in whose favour it is reserved, that it should not consist in a particular sum of money. Its value would in this case be liable to variations of two different kinds, first, to those which arise from the different quantities of gold and silver which are contained at different times in coin of the same denomination, and, secondly, to those which arise from the different values of equal quantities of gold and silver at different times.

Princes and sovereign states have frequently fancied that they had a temporary interest to diminish the quantity of pure metal contained in their coins, but they seldom have fancied that they had any to augment it. The quantity of metal contained in the coins, I believe, of all nations, has, accordingly, been almost continually diminishing, and hardly ever augmenting. Such variations, therefore, tend almost always to diminish the value of a money rent.

The discovery of the mines of America diminished the value of gold and silver in Europe. This diminution, it is commonly supposed, though I apprehend without any certain proof, is still going on gradually, and is likely to continue to do so for a long time. Upon this supposition,

therefore, such variations are more likely to diminish, than to augment the value of a money rent, even though it should be stipulated to be paid, not in such a quantity of coined money of such a denomination (in so many pounds sterling, for example), but in so many ounces either of pure silver, or of a certain standard.

The rents which have been reserved in corn have preserved their value much better than those which have been reserved in money, even where the denomination of the coin has not been altered. By the 18th of Elizabeth it was enacted, That a third of the rent of all college leases should be reserved in corn, to be paid, either in kind, or according to the current prices at the nearest public market. The money arising from this corn rent, though originally but a third of the whole, is in the present times, according to Doctor Blackstone, commonly near double of what arises from the other two-thirds. The old money rents of colleges must, according to this account, have sunk almost to a fourth part of their ancient value, or are worth little more than a fourth part of the corn which they were formerly worth. But since the reign of Philip and Mary the denomination of the English coin has undergone little or no alteration, and the same number of pounds, shillings, and pence have contained very nearly the same quantity of pure silver. This degradation, therefore, in the value of the money rents of colleges, has arisen altogether from the degradation in the value of silver.

When the degradation in the value of silver is combined with the diminution of the quantity of it contained in the coin of the same denomination, the loss is frequently still greater. In Scotland, where the denomination of the coin

has undergone much greater alterations than it ever did in England, and in France, where it has undergone still greater alterations than it ever did in Scotland, some ancient rents, originally of considerable value, have in this manner been reduced almost to nothing

Equal quantities of labour will, at distant times, be purchased more nearly with equal quantities of corn, the subsistence of the labourer, than with equal quantities of gold and silver, or perhaps of any other commodity Equal quantities of corn, therefore, will, at distant times, be more nearly of the same real value, or enable the possessor to purchase or command more nearly the same quantity of the labour of other people They will do this, I say, more nearly than equal quantities of almost any other commodity , for even equal quantities of corn will not do it exactly. The subsistence of the labourer, or the real price of labour, as I shall endeavour to show hereafter, is very different upon different occasions , more liberal in a society advancing to opulence, than in one that is standing still , and in one that is standing still, than in one that is going backwards Every other commodity, however, will at any particular time purchase a greater or smaller quantity of labour in proportion to the quantity of subsistence which it can purchase at that time. A rent, therefore, reserved in coin is liable only to the variations in the quantity of labour which a certain quantity of corn can purchase But a rent reserved in any other commodity is liable, not only to the variations in the quantity of labour which any particular quantity of corn can purchase, but to the variations in the quantity of corn which can be purchased by any particular quantity of that commodity.

Though the real value of a corn rent, it is to be observed, however, varies much less from century to century than that of a money rent, it varies much more from year to year. The money price of labour, as I shall endeavour to show hereafter, does not fluctuate from year to year with the money price of corn, but seems to be everywhere accommodated, not to the temporary or occasional, but to the average or ordinary price of that necessary of life. The average or ordinary price of corn again is regulated, as I shall likewise endeavour to show hereafter, by the value of silver, by the richness or barrenness of the mines which supply the market with that metal, or by the quantity of labour which must be employed, and consequently of corn which must be consumed, in order to bring any particular quantity of silver from the mine to the market. But the value of silver, though it sometimes varies greatly from century to century, seldom varies much from year to year, but frequently continues the same, or very nearly the same, for half a century or a century together. The ordinary or average money price of corn, therefore, may, during so long a period, continue the same or very nearly the same too, and along with it the money price of labour, provided, at least, the society continues, in other respects, in the same or nearly in the same condition. In the mean time the temporary and occasional price of corn may frequently be double, one year, of what it had been the year before, or fluctuate, for example, from five and twenty to fifty shillings the quarter. But when corn is at the latter price, not only the nominal, but the real value of a corn rent will be double of what it is when at the former, or will command double the quantity either of labour

or of the greater part of other commodities ; the money price of labour, and along with it that of most other things, continuing the same during these fluctuations

Labour, therefore, it appears evidently, is the only universal, as well as the only accurate measure of value, or the only standard by which we can compare the values of different commodities at all times and at all places. We cannot estimate, it is allowed, the real value of different commodities from century to century by the quantities of silver which were given for them. We cannot estimate it from year to year by the quantities of corn. By the quantities of labour we can, with the greatest accuracy, estimate it both from century to century and from year to year. From century to century, corn is a better measure than silver, because, from century to century, equal quantities of corn will command the same quantity of labour more nearly than equal quantities of silver. From year to year, on the contrary, silver is a better measure than corn, because equal quantities of it will more nearly command the same quantity of labour.

But though in establishing perpetual rents, or even in letting very long leases, it may be of use to distinguish between the real and nominal price ; it is of none in buying and selling, the more common and ordinary transactions of human life.

At the same time and place the real and the nominal price of all commodities are exactly in proportion to one another. The more or less money you get for any commodity, in the London market, for example, the more or less labour it will at that time and place enable you to pur-

chase or command. At the same time and place, therefore, money is the exact measure of the real exchangeable value of all commodities. It is so, however, at the same time and place only

Though, at distant places, there is no regular proportion between the real and the money price of commodities, yet the merchant who carries goods from one to the other has nothing to consider but their money price, or the difference between the quantity of silver for which he buys them, and that for which he is likely to sell them Half an ounce of silver at Canton in China may command a greater quantity both of labour and of the necessaries and conveniences of life, than an ounce at London. A commodity, therefore, which sells for half an ounce of silver at Canton may there be really dearer, of more real importance to the man who possesses it there, than a commodity which sells for an ounce at London is to the man who possesses it at London. If a London merchant, however, can buy at Canton for half an ounce of silver, a commodity which he can afterwards sell at London for an ounce, he gains a hundred per cent. by the bargain, just as much as if an ounce of silver was at London exactly of the same value as at Canton It is of no importance to him that half an ounce of silver at Canton would have given him the command of more labour and of a greater quantity of the necessaries and conveniences of life than an ounce can do at London. An ounce at London will always give him the command of double the quantity of all these which half an ounce could have done there, and this is precisely what he wants.

As it is the nominal or money price of goods, therefore,

which finally determines the prudence or imprudence of all purchases and sales, and thereby regulates almost the whole business of common life in which price is concerned, we cannot wonder that it should have been so much more attended to than the real price. . . .

CHAPTER VI.

OF THE COMPONENT PARTS OF THE PRICE OF COMMODITIES.

In that early and rude state of society which precedes both the accumulation of stock and the appropriation of land, the proportion between the quantities of labour necessary for acquiring different objects seems to be the only circumstance which can afford any rule for exchanging them for one another. If among a nation of hunters, for example, it usually costs twice the labour to kill a beaver which it does to kill a deer, one beaver should naturally exchange for, or be worth two deer. It is natural that what is usually the produce of two days' or two hours' labour, should be worth double of what is usually the produce of one day's or one hour's labour.

If the one species of labour should be more severe than the other, some allowance will naturally be made for this superior hardship, and the produce of one hour's labour in the one way may frequently exchange for that of two hours' labour in the other.

Or if the one species of labour requires an uncommon degree of dexterity and ingenuity, the esteem which men have for such talents, will naturally give a value to their produce, superior to what would be due to the time employed about it. Such talents can seldom be acquired but in consequence of long application, and the superior value

of their produce may frequently be no more than a reasonable compensation for the time and labour which must be spent in acquiring them In the advanced state of society, allowances of this kind, for superior hardship and superior skill, are commonly made in the wages of labour, and something of the same kind must probably have taken place in its earliest and rudest period.

In this state of things, [the whole produce of labour belongs to the labourer, and] the quantity of labour commonly employed in acquiring or producing any commodity, is the only circumstance which can regulate the quantity of labour which it ought commonly to purchase, command, or exchange for

As soon as stock has accumulated in the hands of particular persons, some of them will naturally employ it in setting to work industrious people, whom they will supply with materials and subsistence, in order to make a profit by the sale of their work, or by what their labour adds to the value of the materials. In exchanging the complete manufacture either for money, for labour, or for other goods, over and above what may be sufficient to pay the price of the materials, and the wages of the workmen, something must be given for the profits of the undertaker of the work who hazards his stock in this adventure The value which the workmen add to the materials, therefore, resolves itself in this case into two parts, of which the one pays their wages, the other the profits of their employer upon the whole stock of materials and wages which he advanced. He could have no interest to employ them, unless he expected from the sale of their work something more than

what was sufficient to replace his stock to him, and he could have no interest to employ a great stock rather than a small one, unless his profits were to bear some proportion to the extent of his stock.

The profits of stock, it may perhaps be thought, are only a different name for the wages of a particular sort of labour, the labour of inspection and direction. They are, however, altogether different, are regulated by quite different principles, and bear no proportion to the quantity, the hardship, or the ingenuity of this supposed labour of inspection and direction. They are regulated altogether by the value of the stock employed, and are greater or smaller in proportion to the extent of this stock. Let us suppose, for example, that in some particular place, where the common annual profits of manufacturing stock are ten per cent. there are two different manufactures, in each of which twenty workmen are employed at the rate of fifteen pounds a year each, or at the expense of three hundred a year in each manufactory. Let us suppose too, that the coarse materials annually wrought up in the one cost only seven hundred pounds, while the finer materials in the other cost seven thousand. The capital annually employed in the one will in this case amount only to one thousand pounds; whereas that employed in the other will amount to seven thousand three hundred pounds. At the rate of ten per cent. therefore, the undertaker of the one will expect a yearly profit of about one hundred pounds only; while that of the other will expect about seven hundred and thirty pounds. But though their profits are so very different, their labour of inspection and direction may be either altogether or very

nearly the same In many great works, almost the whole labour of this kind is committed to some principal clerk. His wages properly express the value of this labour of inspection and direction Though in settling them some regard is had commonly, not only to his labour and skill, but to the trust which is reposed in him, yet they never bear any regular proportion to the capital of which he over-sees the management, and the owner of this capital, though he is thus discharged of almost all labour, still expects that his profits should bear a regular proportion to his capital In the price of commodities, therefore, the profits of stock constitute a component part altogether different from the wages of labour, and regulated by quite different principles

In this state of things (therefore), [the whole produce of labour does not always belong to the labourer. He must in most cases share it with the owner of the stock which employs him. Neither is] the quantity of labour commonly employed in acquiring or producing any commodity (= is by no means) the only circumstance which can regulate the quantity which it ought commonly to purchase, command, or exchange for An additional quantity, it is evident, must be due for the profits of the stock which advanced the wages and furnished the materials of that labour.

As soon as the land of any country has all become private property, the landlords, like all other men, love to reap where they never sowed, and demand a rent even for its natural produce The wood of the forest, the grass of the field, and all the natural fruits of the earth, which, when land was in common, cost [the labourer] only the trouble of gathering them, come, [even to him,] to have an additional

price fixed upon them. Men must then pay for the licence to gather them, and in exchanging them either for money, for labour, or for other goods, over and above what is due, both for the labour of gathering them, and for the profits of the stock which employs that labour, some allowance must be made for the price of the licence, which constitutes the first rent of land. In the price, therefore, of the greater part of commodities the rent of land comes in this manner to constitute the third source of value [= He must then pay for the licence to gather them, and must give up to the landlord a portion of what his labour either collects or produces This portion, or, what comes to the same thing, the price of this portion, constitutes the rent of land, and in the price of the greater part of commodities makes a third component part.]

(In this state of things, neither the quantity of labour commonly employed in acquiring or producing any commodity, nor the profits of the stock which advanced the wages and furnished the materials of that labour, are the only circumstances which can regulate the quantity of labour, which it ought commonly to purchase, command, or exchange for. A third circumstance must likewise be taken into consideration, the rent of the land; and the commodity must commonly purchase, command, or exchange for, an additional quantity of labour, in order to enable the person who brings it to market to pay this rent.)¹

¹ The omission of this paragraph and the rewriting of the latter part of the preceding paragraph were probably due to the criticisms of Hume in his letter of April 1, 1776. "If you were here at my fireside, I should dispute some of your principles. I cannot think that the rent of farms makes any part of the price of the produce, but that the price is determined altogether by the quantity and the demand."

The real value of all the different component parts of price, it must be observed, is measured by the quantity of labour which they can, each of them, purchase or command. Labour measures the value not only of that part of price which resolves itself into labour, but of that which resolves itself into rent, and of that which resolves itself into profit

In every society the price of every commodity finally resolves itself into some one or other, or all of those three parts, and in every improved society, all the three enter more or less, as component parts, into the price of the far greater part of commodities

In the price of corn, for example, one part pays the rent of the landlord, another pays the wages or maintenance of the labourers and labouring cattle employed in producing it, and the third pays the profit of the farmer. These three parts seem either immediately or ultimately to make up the whole price of corn. A fourth part, it may perhaps be thought, is necessary for replacing the stock of the farmer, or for compensating the wear and tear of his labouring cattle and other instruments of husbandry. But it must be considered that the price of any instrument of husbandry, such as a labouring horse, is itself made up of the same three parts, the rent of the land upon which he is reared, the labour of tending and rearing him, and the profits of the farmer who advances both the rent of this land, and the wages of this labour. Though the price of the corn, therefore, may pay the price as well as the maintenance of the horse, the whole price still resolves itself either immediately or ultimately into the same three parts of rent, labour, and profit.

In the price of flour or meal, we must add to the price of the corn, the profits of the miller, and the wages of his servants ; in the price of bread, the profits of the baker, and the wages of his servants ; and in the price of both, the labour of transporting the corn from the house of the farmer to that of the miller, and from that of the miller to that of the baker, together with the profits of those who advance the wages of that labour

The price of flax resolves itself into the same three parts as that of corn. In the price of linen we must add to this price the wages of the flax-dresser, of the spinner, of the weaver, of the bleacher, &c , together with the profits of their respective employers.

As any particular commodity comes to be more manufactured, that part of the price which resolves itself into wages and profit, comes to be greater in proportion to that which resolves itself into rent. In the progress of the manufacture, not only the number of profits increase, but every subsequent profit is greater than the foregoing ; because the capital from which it is derived must always be greater. The capital which employs the weavers, for example, must be greater than that which employs the spinners ; because it not only replaces that capital with its profits, but pays, besides, the wages of the weavers , and the profits must always bear some proportion to the capital

In the most improved societies, however, there are always a few commodities of which the price resolves itself into two parts only, the wages of labour, and the profits of stock ; and a still smaller number, in which it consists altogether in the wages of labour. In the price of sea-fish, for example,

one part pays the labour of the fishermen, and the other the profits of the capital employed in the fishery Rent very seldom makes any part in it, though it does sometimes, as I shall show hereafter. It is otherwise, at least through the greater part of Europe, in river fisheries. A salmon fishery pays a rent, and rent, though it cannot well be called the rent of land, makes a part of the price of a salmon as well as wages and profit. In some parts of Scotland a few poor people make a trade of gathering, along the sea shore, those little variegated stones commonly known by the name of Scotch Pebbles The price which is paid to them by the stone-cutter is altogether the wages of their labour ; neither rent nor profit make any part of it

But the whole price of any commodity must still finally resolve itself into some one or other, or all of those three parts , as whatever part of it remains after paying the rent of the land, and the price of the whole labour employed in raising, manufacturing, and bringing it to market, must necessarily be profit to somebody

As the price or exchangeable value of every particular commodity, taken separately, resolves itself into some one or other, or all of those three parts , so that of all the commodities which compose the whole annual produce of the labour of every country, taken complexly, must resolve itself into the same three parts, and be parcelled out among different inhabitants of the country, either as the wages of their labour, the profits of their stock, or the rent of their land The whole of what is annually either collected or produced by the labour of every society, or what comes to the same thing, the whole price of it, is in this manner originally dis-

tributed among some of its different members. Wages, profit, and rent, are the three original sources of all revenue as well as of all exchangeable value. All other revenue is ultimately derived from some one or other of these.

Whoever derives his revenue from a fund which is his own, must draw it either from his labour, from his stock, or from his land. The revenue derived from labour is called wages. That derived from stock, by the person who manages or employs it, is called profit. That derived from it by the person who does not employ it himself, but lends it to another, is called the interest or the use of money. It is the compensation which the borrower pays to the lender, for the profit which he has an opportunity of making by the use of the money. Part of that profit naturally belongs to the borrower, who runs the risk and takes the trouble of employing it, and part to the lender, who affords him the opportunity of making this profit. The interest of money is always a derivative revenue, which, if it is not paid from the profit which is made by the use of the money, must be paid from some other source of revenue, unless perhaps the borrower is a spendthrift, who contracts a second debt in order to pay the interest of the first. The revenue which proceeds altogether from land, is called rent, and belongs to the landlord. The revenue of the farmer is derived partly from his labour, and partly from his stock. To him, land is only the instrument which enables him to earn the wages of this labour, and to make the profits of this stock. All taxes, and all the revenue which is founded upon them, all salaries, pensions, and annuities of every kind, are ultimately derived from some one or other of those three original sources.

of revenue, and are paid either immediately or mediately from the wages of labour, the profits of stock, or the rent of land

When those three different sorts of revenue belong to different persons, they are readily distinguished, but when they belong to the same they are sometimes confounded with one another, at least in common language.

A gentleman who farms a part of his own estate, after paying the expense of cultivation, should gain both the rent of the landlord and the profit of the farmer He is apt to denominate, however, his whole gain, profit, and thus confounds rent with profit, at least in common language. The greater part of our North American and West Indian planters are in this situation. They farm, the greater part of them, their own estates, and accordingly we seldom hear of the rent of a plantation, but frequently of its profit

Common farmers seldom employ any overseer to direct the general operations of the farm. They generally, too, work a good deal with their own hands, as ploughmen, harrowers, &c What remains of the crop after paying the rent, therefore, should not only replace to them their stock employed in cultivation, together with its ordinary profits, but pay them the wages which are due to them, both as labourers and overseers Whatever remains, however, after paying the rent and keeping up the stock, is called profit But wages evidently make a part of it The farmer, by saving these wages, must necessarily gain them Wages, therefore, are in this case confounded with profit

An independent manufacturer, who has stock enough both to purchase materials, and to maintain himself till he can

carry his work to market, should gain both the wages of a journeyman who works under a master, and the profits which that master makes by the sale of the journeyman's work His whole gains, however, are commonly called profit, and wages are, in this case too, confounded with profit.

A gardener who cultivates his own garden with his own hands, unites in his own person the three different characters, of landlord, farmer, and labourer His produce, therefore, should pay him the rent of the first, the produce of the second, and the wages of the third The whole, however, is commonly considered as the earnings of his labour Both rent and profit are, in this case, confounded with wages

As in a civilized country there are but few commodities of which the exchangeable value arises from labour only, rent and profit contributing largely to that of the far greater part of them, so the annual produce of its labour will always be sufficient to purchase or command a much greater quantity of labour than what was employed in raising, preparing, and bringing that produce to market. If the society were annually to employ all the labour which it can annually purchase, as the quantity of labour would increase greatly every year, so the produce of every succeeding year would be of vastly greater value than that of the foregoing But there is no country in which the whole annual produce is employed in maintaining the industrious. The idle everywhere consume a great part of it; and according to the different proportions in which it is annually divided between those two different orders of people, its ordinary or average value must either annually increase, or diminish, or continue the same from one year to another.

CHAPTER VII

OF THE NATURAL AND MARKET PRICE OF COMMODITIES

THERE is in every society or neighbourhood an ordinary or average rate both of wages and profit in every different employment of labour and stock. This rate is naturally regulated, as I shall show hereafter, partly by the general circumstances of the society, their riches or poverty, their advancing, stationary, or declining condition, and partly by the particular nature of each employment.

There is likewise in every society or neighbourhood an ordinary or average rate of rent, which is regulated, too, as I shall show hereafter, partly by the general circumstances of the society or neighbourhood in which the land is situated, and partly by the natural or the improved fertility of the land.

These ordinary or average rates may be called the natural rates of wages, profit, and rent, at the time and place in which they may commonly prevail.

✓ When the price of any commodity is neither more nor less than what is sufficient to pay the rent of the land, the wages of the labour, and the profits of the stock employed in raising, preparing, and bringing it to market, according to their natural rates, the commodity is then sold for what may be called its natural price.

The commodity is then sold precisely for what it is worth,

or for what it really costs the person who brings it to market; for though in common language what is called the prime cost of any commodity does not comprehend the profit of the person who is to sell it again, yet if he sells it at a price which does not allow him the ordinary rate of profit in his neighbourhood, he is evidently a loser by the trade, since by employing his stock in some other way he might have made that profit. His profit, besides, is his revenue, the proper fund of his subsistence. As, while he is preparing and bringing the goods to market, he advances to his workmen their wages, or their subsistence, so he advances to himself, in the same manner, his own subsistence, which is generally suitable to the profit which he may reasonably expect from the sale of his goods. Unless they yield him this profit, therefore, they do not repay him what they may very properly be said to have really cost him.

Though the price, therefore, which leaves him this profit, is not always the lowest at which a dealer may sometimes sell his goods, it is the lowest at which he is likely to sell them for any considerable time, at least where there is perfect liberty, or where he may change his trade as often as he pleases.

The actual price at which any commodity is commonly sold is called its market price. It may either be above, or below, or exactly the same with its natural price.

The market price of every particular commodity is regulated by the proportion between the quantity which is actually brought to market, and the demand of those who are willing to pay the natural price of the commodity, or the whole value of the rent, labour, and profit, which must

be paid in order to bring it thither. Such people may be called the effectual demanders, and their demand the effectual demand, since it may be sufficient to effectuate the bringing of the commodity to market. It is different from the absolute demand. A very poor man may be said in some sense to have a demand for a coach and six, he might like to have it, but his demand is not an effectual demand, as the commodity can never be brought to the market in order to satisfy it.

When the quantity of any commodity which is brought to market falls short of the effectual demand, all those who are willing to pay the whole value of the rent, wages, and profit, which must be paid in order to bring it thither, cannot be supplied with the quantity which they want. Rather than want it altogether, some of them will be willing to give more. A competition will immediately begin among them, and the market price will rise more or less above the natural price, according as [either] the greatness of the deficiency, [or the wealth and wanton luxury of the competitors,] increases [= happens to animate] more or less the eagerness of the competition. [Among competitors of equal wealth and luxury] the same deficiency will generally occasion a more or less eager competition, according as the acquisition of the commodity happens to be of more or less importance to them. Hence the exorbitant price of the necessities of life during the blockade of a town or in a famine.

When the quantity brought to market exceeds the effectual demand, it cannot be all sold to those who are willing to pay the whole value of the rent, wages, and profit, which must be paid in order to bring it thither. Some part must

be sold to those who are willing to pay less, and the low price which they give for it must reduce the price of the whole. The market price will sink more or less below the natural price, according as the greatness of the excess increases more or less the competition of the sellers, or according as it happens to be more or less important to them to get immediately rid of the commodity. The same excess in the importation of perishable, will occasion a much greater competition than in that of durable commodities, in the importation of oranges, for example, than in that of old iron.

When the quantity brought to market is just sufficient to supply the effectual demand and no more, the market price naturally comes to be either exactly, or as nearly as can be judged of, the same with the natural price. The whole quantity upon hand can be disposed of for this price, and cannot be disposed of for more. The competition of the different dealers obliges them all to accept of this price, but does not oblige them to accept of less.

The quantity of every commodity brought to market naturally suits itself to the effectual demand. It is the interest of all those who employ their land, labour, or stock, in bringing any commodity to market, that the quantity never should exceed the effectual demand; and it is the interest of all other people that it never should fall short of that demand.

If at any time it exceeds the effectual demand, some of the component parts of its price must be paid below their natural rate. If it is rent, the interest of the landlords will immediately prompt them to withdraw a part of their land;

and if it is wages or profit, the interest of the labourers in the one case, and of their employers in the other, will prompt them to withdraw a part of their labour or stock from this employment. The quantity brought to market will soon be no more than sufficient to supply the effectual demand. All the different parts of its price will rise to their natural rate, and the whole price to its natural price.

If, on the contrary, the quantity brought to market should at any time fall short of the effectual demand, some of the component parts of its price must rise above their natural rate. If it is rent, the interest of all other landlords will naturally prompt them to prepare more land for the raising of this commodity; if it is wages or profit, the interest of all other labourers and dealers will soon prompt them to employ more labour and stock in preparing and bringing it to market. The quantity brought thither will soon be sufficient to supply the effectual demand. All the different parts of its price will soon sink to their natural rate, and the whole price to its natural price.

The natural price, therefore, is, as it were, the central price, to which the prices of all commodities are continually gravitating. Different accidents may sometimes keep them suspended a good deal above it, and sometimes force them down even somewhat below it. But whatever may be the obstacles which hinder them from settling in this centre of repose and continuance, they are constantly tending towards it.

The whole quantity of industry annually employed in order to bring any commodity to market, naturally suits itself in this manner to the effectual demand. It naturally

aims at bringing always that precise quantity thither which may be sufficient to supply, and no more than supply, that demand.

But in some employments the same quantity of industry will in different years produce very different quantities of commodities, while in others it will produce always the same, or very nearly the same. The same number of labourers in husbandry will, in different years, produce very different quantities of corn, wine, oil, hops, &c. But the same number of spinners and weavers will every year produce the same or very nearly the same quantity of linen and woollen cloth. It is only the average produce of the one species of industry which can be suited in any respect to the effectual demand, and as its actual produce is frequently much greater and frequently much less than its average produce, the quantity of the commodities brought to market will sometimes exceed a good deal, and sometimes fall short a good deal, of the effectual demand. Even though that demand therefore should continue always the same, then market price will be liable to great fluctuations, will sometimes fall a good deal below, and sometimes rise a good deal above, their natural price. In the other species of industry, the produce of equal quantities of labour being always the same, or very nearly the same, it can be more exactly suited to the effectual demand. While that demand continues the same, therefore, the market price of the commodities is likely to do so too, and to be either altogether, or as nearly as can be judged of, the same with the natural price. That the price of linen and woollen cloth is liable neither to such frequent nor to such great variations as the price of corn, every

man's experience will inform him The price of the one species of commodities varies only with the variations in the demand that of the other varies not only with the variations in the demand, but with the much greater and more frequent variations in the quantity of what is brought to market in order to supply that demand

The occasional and temporary fluctuations in the market price of any commodity fall chiefly upon those parts of its price which resolve themselves into wages and profit That part which resolves itself into rent is less affected by them A rent certain in money is not in the least affected by them either in its rate or in its value A rent which consists either in a certain proportion or in a certain quantity of the rude produce, is no doubt affected in its yearly value by all the occasional and temporary fluctuations in the market price of that rude produce, but it is seldom affected by them in its yearly rate In settling the terms of the lease, the landlord and farmer endeavour, according to their best judgment, to adjust that rate, not to the temporary and occasional, but to the average and ordinary price of the produce

Such fluctuations affect both the value and the rate either of wages or of profit, according as the market happens to be either over-stocked or under-stocked with commodities or with labour, with work done, or with work to be done A public mourning raises the price of black cloth (with which the market is almost always under-stocked upon such occasions), and augments the profits of the merchant who possess any considerable quantity of it It has no effect upon the wages of the weavers The market is under-stocked with

commodities, not with labour; with work done, not with work to be done. It raises the wages of journeymen tailors. The market is here under-stocked with labour. There is an effectual demand for more labour, for more work to be done than can be had. It sinks the price of coloured silks and cloths, and thereby reduces the profits of the merchants who have any considerable quantity of them upon hand. It sinks too the wages of the workmen employed in preparing such commodities, for which all demand is stopped for six months, perhaps for a twelvemonth. The market is here over-stocked both with commodities and with labour.

But, though the market price of every particular commodity is in this manner continually gravitating, if one may say so, towards the natural price, yet sometimes particular accidents, sometimes natural causes, and sometimes particular regulations of police, may, in many commodities, keep up the market price, for a long time together, a good deal above the natural price.

When by an increase in the effectual demand, the market price of some particular commodity happens to rise a good deal above the natural price, those who employ their stocks in supplying that market are generally careful to conceal this change. If it was commonly known, their great profit would tempt so many new rivals to employ their stocks in the same way, that, the effectual demand being fully supplied, the market price would soon be reduced to the natural price, and perhaps for sometime even below it. If the market is at a great distance from the residence of those who supply it, they may sometimes be able to keep the secret for several years together, and may so long enjoy their extraordinary profits.

without any new rivals Secrets of this kind, however, it must be acknowledged, can seldom be long kept, and the extraordinary profit can last very little longer than they are kept

Secrets in manufactures are capable of being longer kept than secrets in trade. A dyer who has found the means of producing a particular colour with materials which cost only half the price of those commonly made use of, may, with good management, enjoy the advantage of his discovery as long as he lives, and even leave it as a legacy to his posterity. His extraordinary gains arise from the high price which is paid for his private labour. They properly consist in the high wages of that labour. But as they are repeated upon every part of his stock, and as their whole amount bears, upon that account, a regular proportion to it, they are commonly considered as extraordinary profits of stock

Such enhancements of the market price are evidently the effects of particular accidents, of which, however, the operation may sometimes last for many years together

Some natural productions require such a singularity of soil and situation, that all the land in a great country, which is fit for producing them, may not be sufficient to supply the effectual demand. The whole quantity brought to market, therefore, may be disposed of to those who are willing to give more than what is sufficient to pay the rent of the land which produced them, together with the wages of the labour, and the profits of the stock which were employed in preparing and bringing them to market, according to their natural rates. Such commodities may continue for whole centuries together to be sold at this high price; and that

part of it which resolves itself into the rent of land is in this case the part which is generally paid above its natural rate. The rent of the land which affords such singular and esteemed productions, like the rent of some vineyards in France of a peculiarly happy soil and situation, bears no regular proportion to the rent of other equally fertile and equally well-cultivated land in its neighbourhood. The wages of the labour, and the profits of the stock employed in bringing such commodities to market, on the contrary, are seldom out of their natural proportion to those of the other employments of labour and stock in their neighbourhood.

Such enhancements of the market price are evidently the effect of natural causes which may hinder the effectual demand from ever being fully supplied, and which may continue, therefore, to operate forever.

A monopoly granted either to an individual or to a trading company has the same effect as a secret in trade or manufactures. The monopolists, by keeping the market constantly under-stocked, by never fully supplying the effectual demand, sell their commodities much above the natural price, and raise their emoluments, whether they consist in wages or profit, greatly above their natural rate.

The price of monopoly is, upon every occasion, the highest which can be got. The natural price, or the price of free competition, on the contrary, is the lowest which can be taken, not upon every occasion, indeed, but for any considerable time together. The one is upon every occasion the highest which can be squeezed out of the buyers, or which, it is supposed, they will consent to give. The other is the lowest which the sellers can commonly afford to take, and at the same time continue their business.

The exclusive privileges of corporations, statutes of apprenticeship and all those laws which restrain, in particular employments, the competition to a smaller number than might otherwise go into them, have the same tendency, though in a less degree. They are a sort of enlarged monopolies, and may frequently, for ages together, and in whole classes of employments, keep up the market price of particular commodities above the natural price, and maintain both the wages of the labour and the profits of the stock employed about them somewhat above their natural rate.

Such enhancements of the market price may last as long as the regulations of police which give occasion to them.

The market price of any particular commodity, though it may continue long above, can seldom continue long below, its natural price. Whatever part of it was paid below the natural rate, the persons whose interest it affected would immediately feel the loss, and would immediately withdraw either so much land, or so much labour, or so much stock, from being employed about it, that the quantity brought to market would soon be no more than sufficient to supply the effectual demand. Its market price, therefore, would soon rise to the natural price. This at least would be the case where there was perfect liberty.

The same statutes of apprenticeship and other corporation laws indeed, which, when a manufacture is in prosperity, enable the workman to raise his wages a good deal above their natural rate, sometimes oblige him, when it decays, to let them down a good deal below it. As in the one case they exclude many people from his employment, so in the other they exclude him from many employments. The

effect of such regulations, however, is not near so durable in sinking the workman's wages below, as in raising them above, their natural rate. Their operation in the one way may endure for many centuries, but in the other it can last no longer than the lives of some of the workmen who were biel to the business in the time of its prosperity. When they are gone, the number of those who are afterwards educated to the trade will naturally suit itself to the effectual demand . . .

This is all that I think necessary to be observed at present concerning the deviations, whether occasional or permanent, of the market price of commodities from the natural price.

The natural price itself varies with the natural rate of each of its component parts, of wages, profit, and rent; and in every society this rate varies according to their circumstances, according to their riches or poverty, their advancing, stationary, or declining condition. I shall in the four following chapters, endeavour to explain the causes of those different variations.

First, I shall endeavour to explain what are the circumstances which naturally determine the rate of wages, and in what manner those circumstances are affected by the riches or poverty, by the advancing, stationary, or declining state of the society.

Secondly, I shall endeavour to show what are the circumstances which naturally determine the rate of profit, and in what manner too those circumstances are affected by the like variations in the state of the society.

Though pecuniary wages and profit are very different

in the different employments of labour and stock, yet a certain proportion seems commonly to take place between both the pecuniary wages in all the different employments of labour, and the pecuniary profits in all the different employments of stock. This proportion, it will appear hereafter, depends partly upon the nature of the different employments, and partly upon the different laws and policy of the society in which they are carried on. But though in many respects dependent upon the laws and policy, this proportion seems to be little affected by the riches or poverty of that society, by its advancing, stationary, or declining condition, but to remain the same or very nearly the same in all those different states. I shall, in the third place, endeavour to explain all the different circumstances which regulate this proportion.

In the fourth and last place, I shall endeavour to show what are the circumstances which regulate the rent of land, and which either raise or lower the real price of all the different substances which it produces.

CHAPTER VIII.

OF THE WAGES OF LABOUR.

¶ The produce of labour constitutes the natural recompence or wages of labour

In that original state of things, which precedes both the appropriation of land and the accumulation of stock, the whole produce of labour belongs to the labourer. He has neither landlord nor master to share with him.

Had this state continued, the wages of labour would have augmented with all those improvements in its productive powers to which the division of labour gives occasion. All things would gradually have become cheaper. They would have been produced by a smaller quantity of labour, and as the commodities produced by equal quantities of labour would naturally in this state of things be exchanged for one another, they would have been purchased likewise with the produce of a smaller quantity. . . .

But this original state of things, in which the labourer enjoyed the whole produce of his own labour, could not last beyond the first introduction of the appropriation of land and the accumulation of stock. It was at an end, therefore, long before the most considerable improvements were made in the productive powers of labour, and it would be to no purpose to trace further what might have been its effects upon the recompence or wages of labour.

As soon as land becomes private property, the landlord demands a share of almost all the produce which the labourer can either raise, or collect from it His rent makes the first deduction from the produce of the labour which is employed upon land

It seldom happens that the person who tills the ground has wherewithal to maintain himself till he reaps the harvest His maintenance is generally advanced to him from the stock of a master, the farmer who employs him, and who would have no interest to employ him unless he was to share in the produce of his labour, or unless his stock was to be replaced to him with a profit This profit makes a second deduction from the produce of the labour which is employed upon land

The produce of almost all other labour is liable to the like deduction of profit In all arts and manufactures the greater part of the workmen stand in need of a master to advance them the materials of their work, and their wages and maintenance till it be completed He shares in the produce of their labour, or in the value which it adds to the materials upon which it is bestowed, and in this share consists his profit

It sometimes happens, indeed, that a single independent workman has stock sufficient both to purchase the materials of his work, and to maintain himself till it be completed He is both master and workman, and enjoys the whole produce of his own labour, or the whole value which it adds to the materials upon which it is bestowed. It includes what are usually two distinct revenues, belonging to two distinct persons, the profits of stock, and the wages of labour.

Such cases, however, are not very frequent, and in every part of Europe, twenty workmen serve under a master for one that is independent, and the wages of labour are everywhere understood to be, what they usually are when the labourer is one person, and the owner of the stock which employs him another.

What are the common wages of labour depends everywhere upon the contract usually made between those two parties, whose interests are by no means the same. The workmen desire to get as much, the masters to give as little, as possible. The former are disposed to combine in order to raise, the latter in order to lower, the wages of labour.

It is not, however, difficult to foresee which of the two parties must, upon all ordinary occasions, have the advantage in the dispute, and force the other into a compliance with their terms. The masters, being fewer in number, can combine much more easily, and the law, besides, authorizes or at least does not prohibit their combinations, while it prohibits those of the workmen. We have no acts of parliament against combining to lower the price of work, but many against combining to raise it. In all such disputes the masters can hold out much longer. A landlord, a farmer, a master manufacturer, or merchant, though they did not employ a single workman, could generally live a year or two upon the stocks which they have already acquired. Many workmen could not subsist a week, few could subsist a month, and scarce any a year without employment. In the long-run the workman may be as necessary to his master as his master is to him; but the necessity is not so immediate.

We rarely hear, it has been said, of the combinations of masters, though frequently of those of workmen. But whoever imagines, upon this account, that masters rarely combine, is as ignorant of the world as of the subject. Masters are always and everywhere in a sort of tacit, but constant and uniform, combination, not to raise the wages of labour above their actual rate. To violate this combination is everywhere a most unpopular action, and a sort of reproach to a master among his neighbours and equals. We seldom, indeed, hear of this combination, because it is the usual, and one may say, the natural state of things which nobody ever hears of. Masters, too, sometimes enter into particular combinations to sink the wages of labour even below this rate. These are always conducted with the utmost silence and secrecy, till the moment of execution, and when the workmen yield, as they sometimes do, without resistance, though severely felt by them, they are never heard of by other people. Such combinations, however, are frequently resisted by a contrary defensive combination of the workmen, who sometimes, too, without any provocation of this kind, combine of their own accord to raise the price of their labour. Their usual pretences are, sometimes the high price of provisions, sometimes the great profit which their masters make by their work. But whether their combinations be offensive or defensive, they are always abundantly heard of. In order to bring the point to a speedy decision, they have always recourse to the loudest clamour, and sometimes to the most shocking violence and outrage. They are desperate, and act with the folly and extravagance of desperate

men, who must either starve, or frighten their masters into an immediate compliance with their demands. The masters upon these occasions are just as clamorous upon the other side, and never cease to call aloud for the assistance of the civil magistrate, and the rigorous execution of those laws which have been enacted with so much severity against the combinations of servants, labourers, and journeymen. The workmen, accordingly, very seldom derive any advantage from the violence of those tumultuous combinations, which, partly from the interposition of the civil magistrate, partly from the superior steadiness of the masters, partly from the necessity which the greater part of the workmen are under of submitting for the sake of present subsistence, generally end in nothing but the punishment or ruin of the ringleaders.

But though in disputes with their workmen, masters must generally have the advantage, there is, however, a certain rate below which it seems impossible to reduce, for any considerable time, the ordinary wages even of the lowest species of labour.

A man must always live by his work, and his wages must at least be sufficient to maintain him. They must even upon most occasions be somewhat more, otherwise it would be impossible for him to bring up a family, and the race of such workmen could not last beyond the first generation. Mr Cantillon seems, upon this account, to suppose that the lowest species of common labourers must everywhere earn at least double their own maintenance, in order that one with another they may be enabled to bring up two children; the labour of the wife, on account of her neces-

sary attendance on the children, being supposed no more than sufficient to provide for herself But one half the children born, it is computed, die before the age of manhood The poorest labourers, therefore, according to this account, must, one with another, attempt to rear at least four children, in order that two may have an equal chance of living to that age But the necessary maintenance of four children, it is supposed, may be nearly equal to that of one man The labour of an able-bodied slave, the same author adds, is computed to be worth double his maintenance, and that of the meanest labourer, he thinks, cannot be worth less than that of an able-bodied slave Thus far at least seems certain, that in order to bring up a family, the labour of the husband and wife together must, even in the lowest species of common labour, be able to earn something more than what is precisely necessary for their own maintenance, but in what proportion, whether in that above mentioned, or in any other, I shall not take upon me to determine

There are certain circumstances, however, which sometimes give the labourers an advantage, and enable them to raise their wages considerably above this rate, evidently the lowest which is consistent with common humanity.

When in any country the demand for those who live by wages, labourers, journeymen, servants of every kind, is continually increasing, when every year furnishes employment for a greater number than had been employed the year before, the workmen have no occasion to combine in order to raise their wages The scarcity of hands occasions a competition among masters, who bid against one

another in order to get workmen, and thus voluntarily break through the natural combination of masters not to raise wages

The demand for those who live by wages, it is evident, cannot increase but in proportion to the increase of the funds which are destined for the payment of wages. These funds are of two kinds first, the revenue which is over and above what is necessary for the maintenance, and secondly, the stock which is over and above what is necessary for the employment of their masters.

When the landlord, annuitant, or moneyed man, has a greater revenue than what he judges sufficient to maintain his own family, he employs either the whole or a part of the surplus in maintaining one or more menial servants. Increase this surplus, and he will naturally increase the number of those servants.

When an independent workman, such as a weaver or shoemaker, has got more stock than what is sufficient to purchase the materials of his own work, and to maintain himself till he can dispose of it, he naturally employs one or more journeymen with the surplus, in order to make a profit by their work. Increase this surplus, and he will naturally increase the number of his journeymen.

The demand for those who live by wages, therefore, necessarily increases with the increase of the revenue and stock of every country, and cannot possibly increase without it. The increase of revenue and stock is the increase of national wealth. The demand for those who live by wages, therefore, naturally increases with the increase of national wealth, and cannot possibly increase without it.

It is not the actual greatness of national wealth, but its continual increase, which occasions a rise in the wages of labour. It is not, accordingly, in the richest countries, but in the most thriving, or in those which are growing rich the fastest, that the wages of labour are highest. England is certainly in the present times, a much richer country than any part of North America. The wages of labour, however, are much higher in North America than in any part of England. . . . The demand for labourers, the funds destined for maintaining them, increase, it seems, still faster than they can find labourers to employ.

Though the wealth of a country should be very great, yet if it has been long stationary, we must not expect to find the wages of labour very high in it. The funds destined for the payment of wages, the revenue and stock of its inhabitants, may be of the greatest extent, but if they have continued for several centuries of the same, or very nearly of the same extent, the number of labourers employed every year could easily supply, and even more than supply, the number wanted the following year. There could seldom be any scarcity of hands, nor could the masters be obliged to bid against one another in order to get them. The hands, on the contrary, would in this case, naturally multiply beyond their employment. There would be a constant scarcity of employment, and the labourers would be obliged to bid against one another in order to get it. If in such a country the wages of labour had ever been more than sufficient to maintain the labourer, and to enable him to bring up a family, the competition of the labourers and the interest of the masters would soon reduce them to

this lowest rate which is consistent with common humanity. China has been long one of the richest, that is, one of the most fertile, best cultivated, most industrious, and most populous countries in the world. It seems, however, to have been long stationary. . . . The accounts of all travellers, inconsistent in many other respects, agree in the low wages of labour, and in the difficulty which a labourer finds in bringing up a family in China.

China, however, though it may perhaps stand still, does not seem to go backwards. Its towns are nowhere deserted by their inhabitants. The lands which had once been cultivated, are nowhere neglected. The same, or very nearly the same annual labour must therefore continue to be performed, and the funds destined for maintaining it, must not consequently be sensibly diminished. The lowest class of labourers, therefore, notwithstanding their scanty subsistence, must some way or another make shift to continue their race so far as to keep up their usual numbers.

But it would be otherwise in a country where the funds destined for the maintenance of labour were sensibly decaying. Every year the demand of servants and labourers would, in all the different classes of employments, be less than it had been the year before. Many who had been bred in the superior classes, not being able to find employment in their own business, would be glad to seek it in the lowest. The lowest class being not only overstocked with its own workmen, but with the overflowings of all the other classes, the competition for employment would be so great in it, as to reduce the wages of labour to the most miserable

and scanty subsistence of the labourer. Many would not be able to find employment even upon these hard terms, but would either starve, or be driven to seek a subsistence, either by begging, or by the perpetration perhaps of the greatest enormities. Want, famine, and mortality would immediately prevail in that class, and from thence extend themselves to all the superior classes, till the number of inhabitants in the country was reduced to what could easily be maintained by the revenue and stock which remained in it, and which had escaped either the tyranny or calamity which had destroyed the rest.

The liberal reward of labour, therefore, as it is the necessary effect, so it is the natural symptom of increasing national wealth. The scanty maintenance of the labouring poor, on the other hand, is the natural symptom that things are at a stand, and their starving condition that they are going fast backwards.

In Great Britain the wages of labour seem, in the present times, to be evidently more than what is precisely necessary to enable the labourer to bring up a family. In order to satisfy ourselves upon this point, it will not be necessary to enter into any tedious or doubtful calculation of what may be the lowest sum upon which it is possible to do this. There are many plain symptoms that the wages of labour are nowhere in this country regulated by this lowest rate which is consistent with common humanity.

First, in almost every part of Great Britain there is a distinction, even in the lowest species of labour, between summer and winter wages. Summer wages are always highest. But on account of the extraordinary expense of fuel,

the maintenance of a family is most expensive in winter. Wages therefore being highest when this expense is lowest, it seems evident that they are not regulated by what is necessary for this expense, but by the quantity and supposed value of the work. A labourer, it may be said indeed, ought to save part of his summer wages in order to defray his winter expense, and that through the whole year they do not exceed what is necessary to maintain his family through the whole year. A slave, however, or one absolutely dependent on us for immediate subsistence, would not be treated in this manner. His daily subsistence would be proportioned to his daily necessities.

Secondly, the wages of labour do not in Great Britain fluctuate with the price of provisions. These vary everywhere from year to year, frequently from month to month. But in many places the money price of labour remains uniformly the same sometimes for half a century together. If in these places therefore the labouring poor can maintain their families in dear years, they must be at their ease in times of moderate plenty, and in affluence in those of extraordinary cheapness. The high price of provisions during these ten years past has not in many parts of the kingdom been accompanied with any sensible rise in the money price of labour. It has, indeed, in some, owing probably more to the increase of the demand for labour than to that of the price of provisions.

Thirdly, as the price of provisions varies more from year to year than the wages of labour, so on the other hand, the wages of labour vary more from place to place than the price of provisions. The prices of bread and butcher's

meat are generally the same, or very nearly the same, through the greater part of the United Kingdom. These and most other things which are sold by retail, the way in which the labouring poor buy all things, are generally fully as cheap or cheaper in great towns than in the remoter parts of the country, for reasons which I shall have occasion to explain hereafter. But the wages of labour in a great town and its neighbourhood are frequently a fourth or a fifth part, twenty or five-and-twenty per cent higher than at a few miles distance. Eighteen pence a day may be reckoned the common price of labour in London and its neighbourhood. At a few miles distance it falls to fourteen and fifteen pence. Ten pence may be reckoned its price in Edinburgh and its neighbourhood. At a few miles distance it falls to eight pence, the usual price of common labour through the greater part of the low country of Scotland, where it varies a good deal less than in England. Such a difference of prices, which it seems is not always sufficient to transport a man from one parish to another, would necessarily occasion so great a transportation of the most bulky commodities not only from one parish to another, but from one end of the kingdom, almost from one end of the world, to the other, as would soon reduce them more nearly to a level. After all that has been said of the levity and inconstancy of human nature, it appears evidently from experience that a man is of all sorts of luggage the most difficult to be transported. If the labouring poor, therefore, can maintain their families in those parts of the kingdom where the price of labour is lowest, they must be in affluence where it is highest.

Fourthly, the variations in the price of labour not only do not correspond either in place or time with those in the price of provisions, but they are frequently quite opposite

. . . Oatmeal supplies the common people in Scotland with the greatest and the best part of their food, which is in general much inferior to that of their neighbours of the same rank in England This difference, however, in the mode of their subsistence is not the cause, but the effect of the difference in their wages, though, by a strange misapprehension, I have frequently heard it represented as the cause. It is not because one man keeps a coach while his neighbour walks a-foot, that the one is rich and the other poor, but because the one is rich he keeps a coach, and because the other is poor he walks a-foot

. Though it is certain that in both parts of the United Kingdom grain was somewhat dearer in the last century than in the present, it is equally certain that labour was much cheaper. If the labouring poor, therefore, could bring up their families then, they must be much more at their ease now. . . . In England the improvements of agriculture, manufactures, and commerce began much earlier than in Scotland The demand for labour, and consequently its price, must necessarily have increased with those improvements. In the last century, accordingly, as well as in the present, the wages of labour were higher in England than in Scotland They have risen too considerably since that time, though, on account of the greater variety of wages paid there in different places, it is more difficult to ascertain how much . . . The price of labour, it must be observed, cannot be ascertained very accurately anywhere,

different prices being often paid at the same place and for the same sort of labour, not only according to the different abilities of the workmen, but according to the easiness or hardness of the masters. Where wages are not regulated by law, all that we can pretend to determine is what are the most usual, and experience seems to show that law can never regulate them properly, though it has often pretended to do so.

The real recompense of labour, the real quantity of the necessaries and conveniencies of life which it can procure to the labourer, has, during the course of the present century, increased perhaps in a still greater proportion than its money price. Not only grain has become somewhat cheaper, but many other things, from which the industrious poor derive an agreeable and wholesome variety of food, have become a great deal cheaper. Potatoes, for example, do not at present, through the greater part of the kingdom, cost half the price which they used to do thirty or forty years ago. The same thing may be said of turnips, carrots, cabbages, things which were formerly never raised but by the spade, but which now are commonly raised by the plough. All sort of garden stuff too has become cheaper. The greater part of the apples and even of the onions consumed in Great Britain were in the last century imported from Flanders. The great improvements in the coarser manufactures of both linen and woollen cloth furnish the labourers with cheaper and better clothing, and those in the manufactures of the coarser metals, with cheaper and better instruments of trade, as well as with many agreeable and convenient pieces of household furni-

ture. Soap, salt, candles, leather, and fermented liquors, have, indeed, become a good deal dearer, chiefly from the taxes which have been laid upon them. The quantity of these, however, which the labouring poor are under any necessity of consuming, is so very small, that the increase in their price does not compensate the diminution in that of so many other things. The common complaint that luxury extends itself even to the lowest ranks of the people, and that the labouring poor will not now be contented with the same food, clothing, and lodging which satisfied them in former times, may convince us that it is not the money price of labour only, but its real recompense, which has augmented.

Is this improvement in the circumstances of the lower ranks of the people to be regarded as an advantage or as an inconveniency to the society? The answer seems at first sight abundantly plain. Servants, labourers, and workmen of different kinds, make up the far greater part of every great political society. But what improves the circumstances of the greater part can never be regarded as an inconveniency to the whole. No society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable. It is but equity, besides, that they who feed, cloath, and lodge the whole body of the people, should have such a share of the produce of their own labour as to be themselves tolerably well fed, cloathed, and lodged.

Poverty, though it no doubt discourages, does not always prevent marriage. It seems even to be favourable to generation. A half-starved Highland woman frequently bears

more than twenty children, while a pampered fine lady is often incapable of bearing any, and is generally exhausted by two or three Barrenness, so frequent among women of fashion, is very rare among those of inferior station.

But poverty, though it does not prevent the generation, is extremely unfavourable to the rearing of children. The tender plant is produced, but in so cold a soil, and so severe a climate, soon withers and dies. It is not uncommon, I have been frequently told, in the Highlands of Scotland for a mother who has borne twenty children not to have two alive. . . . This great mortality, however, will everywhere be found chiefly among the children of the common people, who cannot afford to tend them with the same care as those of better station. Though their marriages are generally more fruitful than those of people of fashion, a smaller proportion of their children arrive at maturity . . .

Every species of animals naturally multiplies in proportion to the means of their subsistence, and no species can ever multiply beyond it. But in civilized society it is only among the inferior ranks of people that the scantiness of subsistence can set limits to the further multiplication of the human species, and it can do so in no other way than by destroying a great part of the children which their marriages produce

The liberal reward of labour, by enabling them to provide better for their children, and consequently to bring up a greater number, naturally tends to widen and extend those limits. It deserves to be remarked too, that it necessarily does this as nearly as possible in the proportion which the

demand for labour requires. If this demand is continually increasing, the reward of labour must necessarily encourage in such a manner the marriage and multiplication of labourers, as may enable them to supply that continually increasing demand by a continually increasing population. If the reward should at any time be less than what was requisite for this purpose, the deficiency of hands would soon raise it, and if it should at any time be more, their excessive multiplication would soon lower it to this necessary rate. The market would be so much under-stocked with labour in the one case, and so much over-stocked in the other, as would soon force back its price to that proper rate which the circumstances of the society required. It is in this manner that the demand for men, like that for any other commodity, necessarily regulates the production of men, quickens it when it goes on too slowly, and stops it when it advances too fast. It is this demand which regulates and determines the state of propagation in all the different countries of the world, in North America, in Europe, and in China, which renders it rapidly progressive in the first, slow and gradual in the second, and altogether stationary in the last.

The wear and tear of a slave, it has been said, is at the expense of his master, but that of a free servant is at his own expense. The wear and tear of the latter, however, is, in reality, as much at the expense of his master as that of the former. The wages paid to journeymen and servants of every kind must be such as may enable them, one with another, to continue the race of journeymen and servants, according as the increasing, diminishing, or stationary

demand of the society may happen to require. But though the wear and tear of a free servant be equally at the expense of his master, it generally costs him much less than that of a slave. The fund destined for replacing or repairing, if I may say so, the wear and tear of the slave, is commonly managed by a negligent master or careless overseer. That destined for performing the same office with regard to the free man, is managed by the free man himself. The disorders which generally prevail in the economy of the rich, naturally introduce themselves into the management of the former. The strict frugality and parsimonious attention of the poor as naturally establish themselves in that of the latter. Under such different management, the same purpose must require very different degrees of expense to execute it. It appears, accordingly, from the experience of all ages and nations, I believe, that the work done by freemen comes cheaper in the end than that performed by slaves. It is found to do so even at Boston, New York, and Philadelphia, where the wages of common labour are so very high.

The liberal reward of labour, therefore, as it is the effect of increasing wealth, so it is the cause of increasing population. To complain of it, is to lament over the necessary effect and cause of the greatest public prosperity.

It deserves to be remarked, perhaps, that it is in the progressive state, while the society is advancing to the further acquisition, rather than when it has acquired its full complement of riches, that the condition of the labouring poor, of the great body of the people, seems to be the happiest and the most comfortable. It is hard in the sta-

tionary, and miserable in the declining state. The progressive state is in reality the cheerful and the hearty state to all the different orders of the society. The stationary is dull, the declining melancholy.

The liberal reward of labour, as it encourages the propagation, so it increases the industry of the common people. The wages of labour are the encouragement of industry, which, like every other human quality, improves in proportion to the encouragement it receives. A plentiful subsistence increases the bodily strength of the labourer, and the comfortable hope of bettering his condition, and of ending his days perhaps in ease and plenty, animates him to exert that strength to the utmost. Where wages are high, accordingly, we shall always find the workmen more active, diligent, and expeditious, than where they are low, in England, for example, than in Scotland; in the neighbourhood of great towns, than in remote country places. .

The increase in the wages of labour necessarily increases the price of many commodities, by increasing that part of it which resolves itself into wages, and so far tends to diminish their consumption both at home and abroad. The same cause, however, which raises the wages of labour, the increase of stock, tends to increase its productive powers, and to make a smaller quantity of labour produce a greater quantity of work. The owner of the stock which employs a great number of labourers, necessarily endeavours, for his own advantage, to make such a proper division and distribution of employment, that they may be enabled to produce the greatest quantity of work possible. For the

same reason he endeavours to supply them with the best machinery which either he or they can think of. What takes place among the labourers in a particular workhouse, takes place, for the same reason, among those of a great society. The greater their number, the more they naturally divide themselves into different classes and subdivisions of employment. More heads are occupied in inventing the most proper machinery for executing the work of each, and it is, therefore, more likely to be invented. There are many commodities, therefore, which, in consequence of these improvements, come to be produced by so much less labour than before, that the increase of its price is more than compensated by the diminution of its quantity.

CHAPTER IX.

OF THE PROFITS OF STOCK.

THE rise and fall in the profits of stock depend upon the same causes with the rise and fall in the wages of labour, the increasing or declining state of the wealth of the society, but those causes affect the one and the other very differently

✓The increase of stock, which raises wages, tends to lower profit When the stocks of many rich merchants are turned into the same trade, their mutual competition naturally tends to lower its profit, and when there is a like increase of stock in all the different trades carried on in the same society, the same competition must produce the same effect in them all

It is not easy, it has already been observed, to ascertain what are the average wages of labour even in a particular place and at a particular time We can, even in this case, seldom determine more than what are the most usual wages. But even this can seldom be done with regard to the profits of stock Profit is so very fluctuating, that the person who carries on a particular trade cannot always tell you himself what is the average of his annual profit. It is affected, not only by every variation of price in the commodities which he deals in, but by the good or bad fortune both of his rivals and of his customers, and by a thousand other

accidents to which goods when carried either by sea or by land, or even when stored in a warehouse, are liable. It varies, therefore, not only from year to year, but from day to day, and almost from hour to hour. To ascertain what is the average profit of all the different trades carried on in a great kingdom must be much more difficult, and to judge of what it may have been formerly, or in remote periods of time, with any degree of precision, must be altogether impossible.

But though it may be impossible to determine with any degree of precision, what are or were the average profits of stock, either in the present, or in ancient times, some notion may be formed of them from the interest of money. It may be laid down as a maxim, that wherever a great deal can be made by the use of money, a great deal will commonly be given for the use of it, and that wherever little can be made by it, less will commonly be given for it. Accordingly, therefore, as the usual market rate of interest varies in any country, we may be assured that the ordinary profits of stock must vary with it, must sink as it sinks and rise as it rises. The progress of interest, therefore, may lead us to form some notion of the progress of profit.

By the 37th of Henry VIII all interest above ten per cent was declared unlawful. More, it seems, had sometimes been taken before that. In the reign of Edward VI religious zeal prohibited all interest. This prohibition, however, like others of the same kind, is said to have produced no effect, and probably rather increased than diminished the evils of usury. The statute of Henry VIII was revived by the 13th of Elizabeth, cap. 8, and ten per cent

continued to be the legal rate of interest till the 21st of James I, when it was restricted to eight per cent. It was reduced to six per cent soon after the Restoration, and by the 12th of Queen Anne, to five per cent. All these different statutory regulations seem to have been made with great propriety. They seem to have followed, and not to have gone before, the market rate of interest, or the rate at which the people of good credit usually borrowed. Since the time of Queen Anne, five per cent. seems to have been rather above than below the market rate. . . .

Since the time of Henry VIII the wealth and revenue of the country have been continually advancing, and, in the course of their progress, their pace seems rather to have been gradually accelerated than retarded. They seem not only to have been going on, but to have been going on faster and faster. The wages of labour have been continually increasing during the same period, and in the greater part of the different branches of trade and manufactures the profits of stock have been diminishing.

It generally requires a greater stock to carry on any sort of trade in a town than in a country village. The great stocks employed in every branch of trade, and the number of rich competitors, generally reduce the rate of profit in the former below what it is in the latter. But the wages of labour are generally higher in a great town than in a country village. In a thriving town the people who have great stocks to employ frequently cannot get the number of workmen they want, and therefore bid against one another in order to get as many as they can, which raises the wages of labour, and lowers the profits of stock. In the remote

parts of the country there is frequently not stock sufficient to employ all the people, who therefore bid against one another in order to get employment, which lowers the wages of labour, and raises the profits of stock

In Scotland, though the legal rate of interest is the same as in England, the market rate is rather higher. There are few trades which cannot be carried on with a smaller stock in Scotland than in England. The common rate of profit, therefore, must be somewhat greater. The wages of labour, it has been already observed, are lower in Scotland than in England. The country, too, is not only much poorer, but the steps by which it advances to a better condition, for it is evidently advancing, seem to be much slower and more tardy

. France is, perhaps, in the present times not so rich a country as England, and though the legal rate of interest has in France frequently been lower than in England, the market rate has generally been higher, for there, as in other countries, they have several very safe and easy methods of evading the law. The profits of trade, I have been assured by British merchants who have traded in both countries, are higher in France than in England, and it is no doubt upon this account that many British subjects choose rather to employ their capitals in a country where trade is in disgrace, than in one where it is highly respected. The wages of labour are lower in France than in England. When you go from Scotland to England, the difference which you may remark between the dress and countenance of the common people in the one country and in the other, sufficiently indicates the difference in their condition. The contrast is still greater when you return from France. France, though no

doubt a richer country than Scotland, seems not to be going forward so fast.

The province of Holland, on the other hand, in proportion to the extent of its territory and the number of its people, is a richer country than England. The government there borrow at two per cent., and private people of good credit at three. The wages of labour are said to be higher in Holland than in England, and the Dutch, it is well known, trade upon lower profits than any people in Europe. The trade of Holland, it has been pretended by some people, is decaying, and it may perhaps be true that some particular branches of it are so. But these symptoms seem to indicate sufficiently that there is no general decay. When profit diminishes, merchants are very apt to complain that trade decays, though the diminution of profit is the natural effect of its prosperity, or of a greater stock being employed in it than before. During the late war the Dutch gained the whole carrying trade of France, of which they still retain a very large share.

In our North American and West Indian colonies, not only the wages of labour, but the interest of money, and consequently the profits of stock, are higher than in England. . . . High wages of labour and high profits of stock, however, are things, perhaps, which scarce ever go together, except in the peculiar circumstances of new colonies. A new colony must always for some time be more under-stocked in proportion to the extent of its territory, and more under-peopled in proportion to the extent of its stock, than the greater part of other countries. They have more land than they have stock to cultivate. What they have, therefore, is applied to

the cultivation only of what is most fertile and most favourably situated, the land near the sea shore, and along the banks of navigable rivers Such land, too, is frequently purchased at a price below the value even of its natural produce Stock employed in the purchase and improvement of such lands must yield a very large profit, and consequently afford to pay a very large interest Its rapid accumulation in so profitable an employment enables the planter to increase the number of his hands faster than he can find them in a new settlement Those whom he can find, therefore, are very liberally rewarded. As the colony increases, the profits of stock gradually diminish When the most fertile and best situated lands have been all occupied, less profit can be made by the cultivation of what is inferior both in soil and situation, and less interest can be afforded for the stock which is so employed In the greater part of our colonies, accordingly, both the legal and the market rate of interest have been considerably reduced during the course of the present century As riches, improvement, and population have increased, interest has declined The wages of labour do not sink with the profits of stock The demand for labour increases with the increase of stock, whatever be its profits. . .

The acquisition of new territory, or of new branches of trade, may sometimes raise the profits of stock, and with them the interest of money, even in a country which is fast advancing in the acquisition of riches The stock of the country not being sufficient for the whole accession of business, which such acquisitions present to the different people among whom it is divided, is applied to those particular branches only which afford the greatest profit Part of what

had before been employed in other trades, is necessarily withdrawn from them, and turned into some of the new and more profitable ones In all those old trades, therefore, the competition comes to be less than before The market comes to be less fully supplied with many different sorts of goods Their price necessarily rises more or less, and yields a greater profit to those who deal in them, who can, therefore, afford to borrow at a higher interest For some time after the conclusion of the late war, not only private people of the best credit, but some of the greatest companies in London, commonly borrowed at five per cent, who before that had not been used to pay more than four, and four and a half per cent The great accession both of territory and trade, by our acquisitions in North America and the West Indies, will sufficiently account for this, without supposing any diminution in the capital stock of the society . .

The diminution of the capital stock of the society, or of the funds destined for the maintenance of industry, however, as it lowers the wages of labour, so it raises the profits of stock, and consequently the interest of money. By the wages of labour being lowered, the owners of what stock remains in the society can bring their goods at less expense to market than before, and less stock being employed in supplying the market than before, they can sell them dearer Their goods cost them less, and they get more for them Their profits, therefore, being augmented at both ends, can well afford a large interest The great fortunes so suddenly and so easily acquired in Bengal and the other British settlements in the East Indies, may satisfy us that, as the wages of labour are very low, so the profits of stock are very high in those ruined countries

In a country which had acquired that full complement of riches which the nature of its soil and climate, and its situation with respect to other countries, allowed it to acquire, which could, therefore, advance no further, and which was not going backwards, both the wages of labour and the profits of stock would probably be very low In a country fully peopled in proportion to what either its territory could maintain or its stock employ, the competition for employment would necessarily be so great as to reduce the wages of labour to what was barely sufficient to keep up the number of labourers, and, the country being already fully peopled, that number could never be augmented In a country fully stocked in proportion to all the business it had to transact, as great a quantity of stock would be employed in every particular branch as the nature and extent of the trade would admit The competition, therefore, would everywhere be as great, and consequently the ordinary profit as low as possible.

But perhaps no country has ever yet arrived at this degree of opulence China seems to have been long stationary, and had probably long ago acquired that full complement of riches which is consistent with the nature of its laws and institutions. But this complement may be much inferior to what, with other laws and institutions, the nature of its soil, climate, and situation might admit of. . In a country too, where, though the rich or the owners of large capitals enjoy a good deal of security, the poor or the owners of small capitals enjoy scarce any, but are liable, under the pretence of justice, to be pillaged and plundered at any time by the inferior mandarins, the quantity of stock employed in all the

different branches of business transacted within it, can never be equal to what the nature and extent of that business might admit. In every different branch, the oppression of the poor must establish the monopoly of the rich, who, by engrossing the whole trade to themselves, will be able to make very large profits. Twelve per cent accordingly is said to be the common interest of money in China, and the ordinary profits of stock must be sufficient to afford this large interest.

A defect in the law may sometimes raise the rate of interest considerably above what the condition of the country, as to wealth or poverty, would require. When the law does not enforce the performance of contracts, it puts all borrowers nearly upon the same footing with bankrupts or people of doubtful credit in better regulated countries. The uncertainty of recovering his money makes the lender exact the same usurious interest which is usually required from bankrupts. Among the barbarous nations who overran the western provinces of the Roman empire, the performance of contracts was left for many ages to the faith of the contracting parties. The courts of justice of their kings seldom intermeddled in it. The high rate of interest which took place in those ancient times may perhaps be partly accounted for from this cause.

When the law prohibits interest altogether, it does not prevent it. Many people must borrow, and nobody will lend without such a consideration for the use of their money as is suitable, not only to what can be made by the use of it, but to the difficulty and danger of evading the law. . . .

The lowest ordinary rate of profit must always be something more than what is sufficient to compensate the occasional losses to which every employment of stock is exposed. It is this surplus only which is neat or clear profit. What is called gross profit comprehends frequently, not only this surplus, but what is retained for compensating such extraordinary losses. The interest which the borrower can afford to pay is in proportion to the clear profit only.

The lowest ordinary rate of interest must, in the same manner, be something more than sufficient to compensate the occasional losses to which lending, even with tolerable prudence, is exposed. Were it not more, charity or friendship could be the only motives for lending.

In a country which had acquired its full complement of riches, where in every particular branch of business there was the greatest quantity of stock that could be employed in it, as the ordinary rate of clear profit would be very small, so the usual market rate of interest which could be afforded out of it would be so low as to render it impossible for any but the very wealthiest people to live upon the interest of their money. All people of small or middling fortunes would be obliged to superintend themselves the employment of their own stocks. It would be necessary that almost every man should be a man of business, or engage in some sort of trade. The province of Holland seems to be approaching near to this state. It is there unfashionable not to be a man of business. . . .

The highest ordinary rate of profit may be such as, in the price of the greater part of commodities, eats up the

whole of what should go to the rent of the land, and leaves only what is sufficient to pay the labour of preparing and bringing them to market, according to the lowest rate at which labour can anywhere be paid, the bare subsistence of the labourer. The workman must always have been fed in some way or other while he was about the work, but the landlord may not always have been paid. The profits of the trade which the servants of the East India Company carry on in Bengal may not perhaps be very far from this rate.

The proportion which the usual market rate of interest ought to bear to the ordinary rate of clear profit, necessarily varies as profit rises or falls. Double interest is in Great Britain reckoned what the merchants call a good, moderate, reasonable profit, terms which I apprehend mean no more than a common and usual profit. In a country where the ordinary rate of clear profit is eight or ten per cent., it may be reasonable that one half of it should go to interest, whenever business is carried on with borrowed money. The stock is at the risk of the borrower, who, as it were, insures it to the lender, and four or five per cent. may, in the greater part of trades, be both a sufficient profit upon the risk of this insurance, and a sufficient recompense for the trouble of employing the stock. But the proportion between interest and clear profit might not be the same in countries where the ordinary rate of profit was either a good deal lower, or a good deal higher. If it were a good deal lower, one half of it perhaps could not be afforded for interest; and more might be afforded if it were a good deal higher.

In countries which are fast advancing to riches, the low

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rate of profit may, in the price of many commodities, compensate the high wages of labour and enable those countries to sell as cheap as their less thriving ~~neighbours~~, among whom the wages paid for labour may be lower.

[In reality high profits tend much more to raise the price of work than high wages. If in the linen manufacture, for example, the wages of the different working people, the flax-dressers, the spinners, the weavers, etc., should, all of them, be advanced twopence a day, it would be necessary to heighten the price of a piece of linen only by a number of twopences equal to the number of people that had been employed about it, multiplied by the number of days during which they had been so employed. That part of the price of the commodity which resolved itself into wages would, through all the different stages of the manufacture, rise only in arithmetical proportion to this rise of wages. But if the profits of all the different employers of those working people should be raised five per cent., that part of the price of the commodity which resolved itself into profit would through all the different stages of the manufacture, rise in geometrical proportion to the rise of profit. The employer of the flax-dressers would in selling his flax require an additional five per cent. upon the whole value of the materials and wages which he advanced to his workmen. The employer of the spinners would require an additional five per cent. both upon the advanced price of the flax and upon the wages of the spinners. And the employer of the weavers would require a like five per cent. both upon the advanced price of the linen yarn and upon the wages of the weavers. In raising

the price of commodities the rise of wages operates in the same manner as simple interest does in the accumulation of debt. The rise of profit operates like compound interest. Our merchants and master-manufacturers complain much of the bad effects of high wages in raising the price, and thereby lessening the sale of their goods both at home and abroad. They say nothing concerning the bad effects of high profits. They are silent with regard to the pernicious effects of their own gains. They complain only of those of other people.]

CHAPTER X.

OF WAGES AND PROFITS IN THE DIFFERENT EMPLOYMENTS OF LABOUR AND STOCK.

THE whole of the advantages and disadvantages of the different employments of labour and stock must, in the same neighbourhood, be either perfectly equal or continually tending to equality. If in the same neighbourhood, there was any employment evidently either more or less advantageous than the rest, so many people would crowd into it in the one case, and so many would desert it in the other, that its advantages would soon return to the level of other employments. This at least would be the case in a society where things were left to follow their natural course, where there was perfect liberty, and where every man was perfectly free both to choose what occupation he thought proper, and to change it as often as he thought proper. Every man's interest would prompt him to seek the advantageous, and to shun the disadvantageous employment.

Pecuniary wages and profit, indeed, are everywhere in Europe extremely different according to the different employments of labour and stock. But this difference arises partly from certain circumstances in the employments themselves, which, either really, or at least in the imaginations of men, make up for a small pecuniary gain in some,

and counterbalance a great one in others, and partly from the policy of Europe, which nowhere leaves things at perfect liberty.

PART I.—*Inequalities arising from the Nature of the Employments themselves*

The five following are the principal circumstances which, so far as I have been able to observe, make up for a small pecuniary gain in some employments, and counterbalance a great one in others first, the agreeableness or disagreeableness of the employments themselves, secondly, the easiness and cheapness, or the difficulty and expense of learning them, thirdly, the constancy or inconstancy of employment in them, fourthly, the small or great trust which must be reposed in those who exercise them, and fifthly, the probability or improbability of success in them.

First, The wages of labour vary with the ease or hardship, the cleanliness or dirtiness, the honourableness or dishonourableness of the employment Thus in most places, take the year round, a journeyman taylor earns less than a journeyman weaver His work is much easier. A journeyman weaver earns less than a journeyman smith. His work is not always easier, but it is much cleaner. A journeyman blacksmith, though an artificer, seldom earns so much in twelve hours as a collier, who is only a labourer, does in eight. His work is not quite so dirty, is less dangerous, and is carried on in daylight and above ground Honour makes a great part of the reward of all honourable professions . Disgrace has the contrary

effect. The trade of a butcher is a brutal and an odious business, but it is in most places more profitable than the greater part of common trades . . .

Disagreeableness and disgrace affect the profits of stock in the same manner as the wages of labour. The keeper of an inn or tavern, who is never master of his own house, and who is exposed to the brutality of every drunkard, exercises neither a very agreeable nor a very creditable business. But there is scarce any common trade in which a small stock yields so great a profit.

Secondly, The wages of labour vary with the easiness and cheapness, or the difficulty and expense of learning the business.

When an expensive machine is erected, the extraordinary work to be performed by it before it is worn out, it must be expected, will replace the capital laid out upon it, with at least the ordinary profits. A man educated at the expense of much labour and time to any of those employments which require extraordinary dexterity and skill, may be compared to one of those expensive machines. The work which he learns to perform, it must be expected, over and above the usual wages of common labour, will replace to him the whole expense of his education, with at least the ordinary profits of an equally valuable capital. It must do this too in a reasonable time, regard being had to the very uncertain duration of human life, in the same manner as to the more certain duration of the machine.

The difference between the wages of skilled labour and those of common labour, is founded upon this principle . . .

Education in the ingenious arts and in the liberal pro-

fessions, is still more tedious and expensive. The pecuniary recompense, therefore, of painters and sculptors, of lawyers and physicians, ought to be much more liberal: and it is so accordingly.

The profits of stock seem to be very little affected by the easiness or difficulty of learning the trade in which it is employed. All the different ways in which stock is commonly employed in great towns seem, in reality, to be almost equally easy and equally difficult to learn. One branch either of foreign or domestic trade, cannot well be a much more intricate business than another.

Thirdly, The wages of labour in different occupations vary with the constancy or inconstancy of employment.

Employment is much more constant in some trades than in others. In the greater part of manufactures, a journeyman may be pretty sure of employment almost every day in the year that he is able to work. A mason or bricklayer, on the contrary, can work neither in hard frost nor in foul weather, and his employment at all other times depends upon the occasional calls of his customer. He is liable, in consequence, to be frequently without any work. What he earns, therefore, while he is employed, must not only maintain him while he is idle, but make him some compensation for those anxious and desponding moments which the thought of so precarious a situation must sometimes occasion . . .

The constancy or inconstancy of employment cannot affect the ordinary profits of stock in any trade. Whether the stock is or is not constantly employed depends, not upon the trade, but the trader.

Fourthly, The wages of labour vary according to the small or great trust which must be reposed in the workmen.

The wages of goldsmiths and jewellers are everywhere superior to those of many other workmen, not only of equal, but of much superior ingenuity, on account of the precious materials with which they are necessarily intrusted.

We trust our health to the physician, our fortune and sometimes our life and reputation to the lawyer and attorney. Such confidence could not safely be reposed in people of a very mean or low condition Their reward must be such, therefore, as may give them that rank in the society which so important a trust requires The long time and the great expense which must be laid out in their education, when combined with this circumstance, will necessarily enhance still further the price of their labour

When a person employs only his own stock in trade, there is no trust, and the credit which he may get from other people depends, not upon the nature of his trade, but upon their opinion of his fortune, probity, and prudence The different rates of profit, therefore, in the different branches of trade, cannot arise from the different degrees of trust reposed in the traders

Fifthly, The wages of labour in different employments vary according to the probability or improbability of success in them.

The probability that any particular person shall ever be qualified for the employment to which he is educated, is very different in different occupations In the greater part of mechanic trades success is almost certain, but very

uncertain in the liberal professions. . . . In a perfectly fair lottery, those who draw the prizes ought to gain all that is lost by those who draw the blanks. In a profession where twenty fail for one that succeeds, that one ought to gain all that should have been gained by the unsuccessful twenty. The counsellor at law, who, perhaps, at near forty years of age, begins to make something by his profession, ought to receive the retribution, not only of his own so tedious and expensive education, but of that of more than twenty others who are never likely to make anything by it. How extravagant soever the fees of counsellors at law may sometimes appear, their real retribution is never equal to this. . . . The lottery of the law, therefore, is very far from being a perfectly fair lottery, and that, as well as many other liberal and honourable professions is, in point of pecuniary gain, evidently under-recompensed.

Those professions keep their level, however, with other occupations, and, notwithstanding these discouragements, all the most generous and liberal spirits are eager to crowd into them. Two different causes contribute to recommend them. First, the desire of the reputation which attends upon superior excellence in any of them, and, secondly, the natural confidence which every man has more or less, not only in his own abilities, but in his own good fortune. . . .

In all the different employments of stock, the ordinary rate of profit varies more or less with the certainty or uncertainty of the returns. These are in general less uncertain in the inland than in the foreign trade, and in some branches of foreign trade than in others; in the

trade to North America, for example, than in that to Jamaica. The ordinary rate of profit always rises more or less with the risk. It does not, however, seem to rise in proportion to it, or so as to compensate it completely. Bankruptcies are most frequent in the most hazardous trades . . .

Of the five circumstances, therefore, which vary the wages of labour, two only affect the profits of stock, the agreeableness or disagreeableness of the business, and the risk or security with which it is attended. In point of agreeableness or disagreeableness, there is little or no difference in the far greater part of the different employments of stock, but a great deal in those of labour, and the ordinary profit of stock, though it rises with the risk, does not always seem to rise in proportion to it. It should follow from all this, that, in the same society or neighbourhood, the average and ordinary rates of profit in the different employments of stock should be more nearly upon a level than the pecuniary wages of the different sorts of labour. They are so accordingly. The difference between the earnings of a common labourer and those of a well employed lawyer or physician, is evidently much greater than that between the ordinary profits in any two different branches of trade. The apparent difference, besides, in the profits of different trades, is generally a deception arising from our not always distinguishing what ought to be considered as wages, from what ought to be considered as profit.

Apothecaries' profit is become a bye-word, denoting something uncommonly extravagant. This great apparent

profit, however, is frequently no more than the reasonable wages of labour .

The five circumstances above mentioned, though they occasion considerable inequalities in the wages of labour and profits of stock, occasion none in the whole of the advantages and disadvantages, real or imaginary, of the different employments of either. The nature of those circumstances is such, that they make up for a small pecuniary gain in some, and counterbalance a great one in others.

In order, however, that this equality may take place in the whole of their advantages or disadvantages, three things are requisite even where there is the most perfect freedom.

First, This equality can take place only in those employments which are well known, and have been long established in the neighbourhood.

Where all other circumstances are equal, wages are generally higher in new than in old trades. When a projector attempts to establish a new manufacture, he must at first entice his workmen from other employments by higher wages than they can either earn in their own trades, or than the nature of his work would otherwise require, and a considerable time must pass away before he can venture to reduce them to the common level. Manufactures for which the demand arises altogether from fashion and fancy, are continually changing, and seldom last long enough to be considered as old established manufactures. Those, on the contrary, for which the demand arises chiefly from use or necessity, are less liable to change, and the same form or fabric may continue in demand for

whole centuries together. The wages of labour, therefore, are likely to be higher in manufactures of the former, than in those of the latter kind. Birmingham deals chiefly in manufactures of the former kind, Sheffield in those of the latter, and the wages of labour in those two different places, are said to be suitable to this difference in the nature of their manufactures.

The establishment of any new manufacture, of any new branch of commerce, or of any new practice in agriculture, is always a speculation, from which the projector promises himself extraordinary profits These profits sometimes are very great, and sometimes, more frequently perhaps, they are quite otherwise, but in general they bear no regular proportion to those of other old trades in the neighbourhood. If the project succeeds, they are commonly at first very high. When the trade or practice becomes thoroughly established and well known, the competition reduces them to the level of other trades.

Secondly, This equality in the whole of the advantages and disadvantages of the different employments of labour and stock, can take place only in the ordinary, or what may be called the natural, state of those employments

The demand for almost every different species of labour is sometimes greater and sometimes less than usual. In the one case the advantages of the employment rise above, in the other they fall below, the common level The demand for country labour is greater at hay-time and harvest, than during the greater part of the year, and wages rise with the demand. In time of war, when forty or fifty thousand sailors are forced from the merchant

service into that of the king, the demand for sailors to merchant ships necessarily rises with their scarcity, and their wages upon such occasions commonly rise from a guinea and seven-and-twenty shillings, to forty shillings and three pounds a month. In a decaying manufacture, on the contrary, many workmen, rather than quit their old trade, are contented with smaller wages than would otherwise be suitable to the nature of their employment.

The profits of stock vary with the price of the commodities in which it is employed. As the price of any commodity rises above the ordinary or average rate, the profits of at least some part of the stock that is employed in bringing it to market, rise above their proper level, and as it falls they sink below it. All commodities are more or less liable to variations of price, but some are much more so than others. In all commodities which are produced by human industry, the quantity of industry annually employed is necessarily regulated by the annual demand, in such a manner that the average annual produce may, as nearly as possible, be equal to the average annual consumption. In some employments, it has already been observed, the same quantity of industry will always produce the same, or very nearly the same quantity of commodities. In the linen or woollen manufactures, for example, the same number of hands will annually work up very nearly the same quantity of linen and woollen cloth. The variations in the market price of such commodities, therefore, can arise only from some accidental variation in the demand. A public mourning raises the price of black cloth. But as the demand for most sorts of plain linen

and woollen cloth is pretty uniform, so is likewise the price But there are other employments in which the same quantity of industry will not always produce the same quantity of commodities The same quantity of industry, for example, will, in different years, produce very different quantities of corn, wine, hops, sugar, tobacco, etc The price of such commodities, therefore, varies not only with the variations of demand, but with the much greater and more frequent variations of quantity, and is consequently extremely fluctuating But the profit of some of the dealers must necessarily fluctuate with the price of the commodities The operations of the speculative merchant are principally employed about such commodities He endeavours to buy them up when he foresees that their price is likely to rise, and to sell them when it is likely to fall

Thirdly, This equality in the whole of the advantages and disadvantages of different employments of labour and stock, can take place only in such as are the sole or principal employments of those who occupy them.

When a person derives his substance from one employment, which does not occupy the greater part of his time, in the intervals of his leisure he is often willing to work at another for less wages than would otherwise suit the nature of the employment. . . .

The produce of such labor comes frequently cheaper to market than would otherwise be suitable to its nature. Stockings in many parts of Scotland are knit much cheaper than they can anywhere be wrought upon the loom They are the work of servants and labourers, who derive the

principal part of their subsistence from some other employment

In opulent countries the market is generally so extensive, that any one trade is sufficient to employ the whole labour and stock of those who occupy it Instances of people's living by one employment, and at the same time deriving some little advantage from another, occur chiefly in poor countries. .

PART II.—*Inequalities occasioned by the Policy of Europe.*

The policy of Europe, by not leaving things at perfect liberty, occasions other inequalities of much greater importance.

It does this chiefly in the three following ways First, by restraining the competition in some employments to a smaller number than would otherwise be disposed to enter into them; secondly, by increasing it in others beyond what it naturally would be, and, thirdly, by obstructing the free circulation of labour and stock, both from employment to employment and from place to place.

First, The policy of Europe occasions a very important inequality in the whole of the advantages and disadvantages of the different employments of labour and stock, by restraining the competition in some employments to a smaller number than might otherwise be disposed to enter into them.

The exclusive privileges of corporations are the principal means it makes use of for this purpose.

The exclusive privilege of an incorporated trade necessarily restrains the competition, in the town where it is

established, to those who are free of the trade. To have served an apprenticeship in the town, under a master properly qualified, is commonly the necessary requisite for obtaining this freedom. The bye-laws of the corporation regulate sometimes the number of apprentices which any master is allowed to have, and almost always the number of years which each apprentice is obliged to serve. The intention of both regulations is to restrain the competition to a much smaller number than might otherwise be disposed to enter into the trade. The limitation of the number of apprentices restrains it directly. A long term of apprenticeship restrains it indirectly, but as effectually, by increasing the expense of education.

By the 5th of Elizabeth, commonly called the Statute of Apprenticeship, it was enacted, that no person should for the future exercise any trade, craft, or mystery at that time exercised in England, unless he had previously served to it an apprenticeship of seven years at least, and what before had been the bye-law of many particular corporations, became in England the general and public law of all trades carried on in market towns. For though the words of the statute are very general, and seem plainly to include the whole kingdom, by interpretation its operation has been limited to market towns, it having been held that in country villages a person may exercise several different trades, though he has not served a seven years' apprenticeship to each, they being necessary for the conveniency of the inhabitants, and the number of people frequently not being sufficient to supply each with a particular sett of hands.

By a strict interpretation of the words too, the operation

of this statute has been limited to those trades which were established in England before the 5th of Elizabeth, and has never been extended to such as have been introduced since that time . The manufactures of Manchester, Birmingham and Wolverhampton are, many of them, upon this account, not within the statute

The property which every man has in his own labour, as it is the original foundation of all other property, so it is the most sacred and inviolable The patrimony of a poor man lies in the strength and dexterity of his hands , and to hinder him from employing this strength and dexterity in what manner he thinks proper without injury to his neighbour, is a plain violation of this most sacred property It is a manifest encroachment upon the just liberty both of the workman, and of those who might be disposed to employ him As it hinders the one from working at what he thinks proper, so it hinders the others from employing whom they think proper To judge whether he is fit to be employed, may surely be trusted to the discretion of the employers whose interest it so much concerns The affected anxiety of the lawgiver lest they should employ an improper person, is evidently as impertinent as it is oppressive

The institution of long apprenticeships can give no security that insufficient workmanship shall not frequently be exposed to public sale. When this is done it is generally the effect of fraud, and not of inability , and the longest apprenticeship can give no security against fraud Quite different regulations are necessary to prevent this abuse. The sterling mark on plate, and the stamps on linen and

woollen cloth, give the purchaser much greater security than any statute of apprenticeship. He generally looks at these, but never thinks it worth while to inquire whether the workmen had served a seven years' apprenticeship.

The institution of long apprenticeships has no tendency to form young people to industry. A journeyman who works by the piece is likely to be industrious, because he derives a benefit from every exertion of his industry. An apprentice is likely to be idle, and almost always is so, because he has no immediate interest to be otherwise.

Long apprenticeships are altogether unnecessary. The arts which are much superior to common trades, such as those of making clocks and watches, contain no such mystery as to require a long course of instruction. To explain to any young man, in the completest manner, how to apply the instruments and how to construct the machines, cannot well require more than the lessons of a few weeks; perhaps those of a few days might be sufficient. In the common mechanic trades, those of a few days might certainly be sufficient. The dexterity of hand, indeed, even in common trades, cannot be acquired without much practice and experience. But a young man would practise with much more diligence and attention, if from the beginning he wrought as a journeyman, being paid in proportion to the little work which he could execute, and paying in his turn for the materials which he might sometimes spoil through awkwardness and inexperience. His education would generally in this way be more effectual, and always less tedious and expensive. The master, indeed, would be a loser. He would lose all the wages of the apprenticeship, which he now

saves for seven years together In the end, perhaps, the apprentice himself would be a loser In a trade so easily learnt he would have more competitors, and his wages, when he came to be a complete workman, would be much less than at present The same increase of competition would reduce the profits of the masters as well as the wages of the workmen The trades, the crafts, the mysteries, would all be losers. But the public would be a gainer, the work of all artificers coming in this way much cheaper to market

It is to prevent this reduction of price, and consequently of wages and profit, by restraining that free competition which would most certainly occasion it, that all corporations, and the greater part of corporation laws, have been established. In order to erect a corporation, no other authority in ancient times was requisite in many parts of Europe, but that of the town corporate in which it was established In England, indeed, a charter from the king was likewise necessary. But this prerogative of the crown seems to have been reserved rather for extorting money from the subject, than for the defence of the common liberty against such oppressive monopolies . . . The immediate inspection of all corporations, and of the bye-laws which they might think proper to enact for their own government, belonged to the town corporate in which they were established , and whatever discipline was exercised over them, proceeded commonly, not from the king, but from that greater incorporation of which those subordinate ones were only parts or members.

The government of towns corporate was altogether in the hands of traders and artificers , and it was the manifest interest of every particular class of them to prevent the

market from being over-stocked, as they commonly express it, with their own particular species of industry, which is in reality to keep it always under-stocked. Each class was eager to establish regulations proper for this purpose, and, provided it was allowed to do so, was willing to consent that every other class should do the same. In consequence of such regulations, indeed, each class was obliged to buy the goods they had occasion for from every other within the town, somewhat dearer than they otherwise might have done. But in recompense, they were enabled to sell their own just as much dearer, so that so far it was as broad as long, as they say, and in the dealings of the different classes within the town with one another none of them were losers by these regulations. But in their dealings with the country they were all great gainers, and in these latter dealings consists the whole trade which supports and enriches every town.

Every town draws its whole subsistence, and all the materials of its industry, from the country. It pays for these chiefly in two ways first, by sending back to the country a part of those materials wrought up and manufactured, in which case their price is augmented by the wages of the workmen, and the profits of their masters or immediate employers secondly, by sending to it a part both of the rude and manufactured produce, either of other countries, or of distant parts of the same country, imported into the town in which case too the original price of those goods is augmented by the wages of the carriers or sailors, and by the profits of the merchants who employ them. In what is gained upon the first of those two branches of commerce, consists the advantage which the town makes by its manu-

factories, in what is gained upon the second, the advantage of its inland and foreign trade. The wages of the workmen, and the profits of their different employers, made up the whole of what is gained upon both. Whatever regulations, therefore, tend to increase those wages and profits beyond what they otherwise would be, tend to enable the town to purchase, with a smaller quantity of its labour, the produce of a greater quantity of the labour of the country. They give the traders and artificers in the town an advantage over the landlords, farmers, and labourers in the country, and break down that natural equality which would otherwise take place in the commerce which is carried on between them. The whole annual produce of the labour of the society is annually divided between those two different sets of people. By means of those regulations a greater share of it is given to the inhabitants of the town than would otherwise fall to them, and a less to those of the country.

The price which the town really pays for the provisions and materials annually imported into it, is the quantity of manufactures and other goods annually exported from it. The dearer the latter are sold, the cheaper the former are bought. The industry of the town becomes more, and that of the country less advantageous.

That the industry which is carried on in towns is, everywhere in Europe, more advantageous than that which is carried on in the country, without entering into any very nice computations, we may satisfy ourselves by one very simple and obvious observation. In every country in Europe we find, at least, a hundred people who have acquired great fortunes from small beginnings by trade and manufactures,

the industry which properly belongs to towns, for one who has done so by that which properly belongs to the country, the raising of rude produce by the improvement and cultivation of land Industry, therefore, must be better rewarded, the wages of labour and the profits of stock must evidently be greater in the one situation than in the other But stock and labour naturally seek the most advantageous employment. They naturally, therefore, resort as much as they can to the town, and desert the country.

The inhabitants of a town, being collected into one place, can easily combine together The most insignificant trades carried on in town have, accordingly, in some place or other, been incorporated, and even where they have never been incorporated, yet the corporation spirit, the jealousy of strangers, the aversion to take apprentices, or to communicate the secret of their trade generally prevail in them, and often teach them, by voluntary associations and agreements, to prevent that free competition which they cannot prohibit by bye-laws. The trades which employ but a small number of hands, run most easily into such combinations Half a dozen wool-combers, perhaps, are necessary to keep a thousand spinners and weavers at work. By combining not to take apprentices they can not only engross the employment but reduce the whole manufacture into a sort of slavery to themselves, and thus raise the price of their labour much above what is due to the nature of their work.

The inhabitants of the country dispersed in distant places, cannot easily combine together They have not only never been incorporated, but the corporation spirit never has prevailed among them. No apprenticeship has ever been

thought necessary to qualify for husbandry, the great trade of the country After what are called the fine arts, and the liberal professions, however, there is perhaps no trade which requires so great a variety of knowledge and experience. .

The superiority which the industry of the towns has everywhere in Europe over that of the country, is not altogether owing to corporations and corporation laws It is supported by many other regulations The high duties upon foreign manufactures and upon all goods imported by alien merchants, all tend to the same purpose Corporation laws enable the inhabitants of towns to raise their prices without fearing to be undersold by the free competition of their own countrymen Those other regulations secure them equally against that of foreigners. The enhancement of price occasioned by both is everywhere finally paid by the landlords, farmers, and labourers of the country, who have seldom opposed the establishment of such monopolies They have commonly neither inclination nor fitness to enter into combinations, and the clamour and sophistry of merchants and manufacturers easily persuade them that the private interest of a part, and of a subordinate part of the society, is the general interest of the whole

In Great Britain the superiority of the industry of the towns over that of the country seems to have been greater formerly than in the present times. The wages of country labour approach nearer to those of manufacturing labour, and the profits of stock employed in agriculture to those of trading and manufacturing stock, than they are said to have done in the last century, or in the beginning of the present

This change may be regarded as the necessary, though very late consequence of the extraordinary encouragement given to the industry of the towns. The stock accumulated in them comes in time to be so great that it can no longer be employed with the ancient profit in that species of industry which is peculiar to them. That industry has its limits like every other, and the increase of stock, by increasing the competition, necessarily reduces the profit. The lowering of profit in the towns forces out stock to the country, where, by creating a new demand for country labour, it necessarily raises its wages. It then spreads itself, if I may say so, over the face of the land, and by being employed in agriculture is in part restored to the country at the expense of which, in a great measure, it had originally been accumulated in the town. That everywhere in Europe the greatest improvements of the country have been owing to such overflowings of the stock originally accumulated in the towns, I shall endeavour to show hereafter, and at the same time to demonstrate, that though some countries have by this course attained to a considerable degree of opulence, it is in itself necessarily slow, uncertain, liable to be disturbed and interrupted by innumerable accidents, and in every respect contrary to the order of nature and of reason.

People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or on some contrivance to raise prices. It is impossible indeed to prevent such meetings by any law which either could be executed, or would be consistent with liberty and justice. But though the law cannot hinder people of the same trade from sometimes

assembling together, it ought to do nothing to facilitate such assemblies, much less to render them necessary.

A regulation which obliges all those of the same trade in a particular town to enter their names and places of abode in a public register, facilitates such assemblies. It connects individuals who might never otherwise be known to one another, and gives every man of the trade a direction where to find every other man of it.

A regulation which enables those of the same trade to tax themselves in order to provide for their poor, their sick, their widows and orphans, by giving them a common interest to manage, may also render such assemblies necessary.

An incorporation not only renders them necessary, but makes the act of the majority binding upon the whole. In a free trade an effectual combination cannot be established but by the unanimous consent of every single trader, and it cannot last any longer than every single trader continues of the same mind. The majority of a corporation can enact a bye-law with proper penalties, which will limit the competition more effectually and more durably than any voluntary combination whatever.

The pretence that corporations are necessary for the better government of the trade, is without any foundation. The real and effectual discipline which is exercised over a workman, is not that of his corporation, but that of his customers. It is the fear of losing their employment which restrains his frauds and corrects his negligence. An exclusive corporation necessarily weakens the force of this discipline. A particular sett of workmen must then be employed, let them behave well or ill. . . .

It is in this manner that the policy of Europe, by restraining the competition in some employments to a smaller number than would otherwise be disposed to enter into them, occasions a very important inequality in the whole of the advantages and disadvantages of the different employments of labour and stock

Secondly, The policy of Europe, by increasing the competition in some employments beyond what it naturally would be, occasions another inequality of an opposite kind in the whole of the advantages and disadvantages of the different employments of labour and stock

It has been considered as of so much importance that a proper number of young people should be educated for certain professions, that, sometimes the public, and sometimes the piety of private founders have established many pensions, scholarships, exhibitions, bursaries, &c, for this purpose, which draw many more people into those trades than could otherwise pretend to follow them. In all christian countries, I believe, the education of the greater part of churchmen is paid for in this manner Very few of them are educated altogether at their own expense The long, tedious, and expensive education, therefore, of those who are, will not always procure them a suitable reward, the church being crowded with people who, in order to get employment, are willing to accept of a much smaller recompense than what such an education would otherwise have entitled them to, and in this manner the competition of the poor takes away the reward of the rich . Whenever the law has attempted to regulate the wages of workmen, it has always been rather to lower them than to

raise them But the law has upon many occasions attempted to raise the wages of curates, and for the dignity of the church, to oblige the rectors of parishes to give them more than the wretched maintenance which they themselves might be willing to accept of And in both cases the law seems to have been equally ineffectual, and has never either been able to raise the wages of curates, or to sink those of labourers to the degree that was intended , because it has never been able to hinder either the one from being willing to accept of less than the legal allowance, on account of the indigence of their situation and the multitude of their competitors , or the other from receiving more, on account of the contrary competition of those who expected to derive either profit or pleasure from employing them.

The great benefices and other ecclesiastical dignities support the honour of the church, notwithstanding the mean circumstances of some of its inferior members. The respect paid to the profession too makes some compensation even to them for the meanness of their pecuniary recompense. . .

Thirdly, The policy of Europe, by obstructing the free circulation of labour and stock, both from employment to employment, and from place to place, occasions in some cases a very inconvenient inequality in the whole of the advantages and disadvantages of their different employments.

The statute of apprenticeship obstructs the free circulation of labour from one employment to another, even in the same place The exclusive privileges of corporations obstruct it from one place to another, even in the same employment.

It frequently happens that while high wages are given to the workmen in one manufacture, those in another are obliged to content themselves with bare subsistence. The one is in an advancing state, and has therefore a continual demand for new hands, the other is in a declining state, and the super-abundance of hands is continually increasing. Those two manufactures may sometimes be in the same town, and sometimes in the same neighbourhood, without being able to lend the least assistance to one another. The statute of apprenticeship may oppose it in the one case, and both that and an exclusive corporation in the other. In many different manufactures, however, the operations are so much alike, that the workmen could easily change trades with one another, if those absurd laws did not hinder them . . .

Whatever obstructs the free circulation of labour from one employment to another, obstructs that of stock likewise, the quantity of stock which can be employed in any branch of business depending very much upon that of the labour which can be employed in it. Corporation laws, however, give less obstruction to the free circulation of stock from one place to another than to that of labour. It is everywhere much easier for a wealthy merchant to obtain the privilege of trading in a town corporate, than it is for a poor artificer to obtain that of working in it.

The obstruction which corporation laws give to the free circulation of labour is common, I believe, to every part of Europe. That which is given to it by the poor laws is, so far as I know, peculiar to England. It consists in the difficulty which a poor man finds in obtaining a settlement,

or even in being allowed to exercise his industry in any parish but that to which he belongs. It is the labour of artificers and manufacturers only of which the free circulation is obstructed by corporation laws. The difficulty of obtaining settlements obstructs even that of common labour.

The very unequal price of labour which we find in England in places at no great distance from one another, is probably owing to the obstruction which the law of settlements gives to a poor man who would carry his industry from one parish to another without a certificate (that he had a legal settlement in the parish whence he came—*Ed.*) A single man, indeed, who is healthy and industrious, may sometimes reside by sufferance without one, but a man with a wife and family who should attempt to do so, would in most parishes be sure of being removed, and if the single man should afterwards marry, he would generally be removed likewise. The scarcity of hands in one parish, therefore, cannot always be relieved by their super-abundance in another, as it is constantly in Scotland, and, I believe, in all other countries where there is no difficulty of settlement. In such countries, though wages may sometimes rise a little in the neighbourhood of a large town, or wherever else there is an extraordinary demand for labour, and sink gradually as the distance from such places increases, till they fall back to the common rate of the country, yet we never meet with those sudden and unaccountable differences in the wages of neighbouring places which we sometimes find in England, where it is often more difficult for a poor man to pass the artificial boundary of a parish, than an arm of the sea or

a ridge of high mountains, natural boundaries which sometimes separate very distinctly different rates of wages in other countries.

To remove a man who has committed no misdemeanour from the parish where he chooses to reside, is an evident violation of natural liberty and justice. The common people of England, however, so jealous of their liberty, but like the common people of most other countries never rightly understanding wherein it consists, have now for more than a century together suffered themselves to be exposed to this oppression without a remedy. Though men of reflection too have sometimes complained of the law of settlements as a public grievance ; yet it has never been the object of any general popular clamour, such as that against general warrants, an abusive practice undoubtedly, but such a one as was not likely to occasion any general oppression. There is scarce a poor man in England of forty years of age, I will venture to say, who has not in some part of his life felt himself most cruelly oppressed by this ill-contrived law of settlements.

I shall conclude this long chapter with observing, that though anciently it was usual to rate wages, first by general laws extending over the whole kingdom, and afterwards by particular orders of the justices of peace in every particular county, both these practices have now gone entirely into disuse. . . .

Particular acts of parliament, however, still attempt sometimes to regulate wages in particular trades and in particular places. Thus the 8th of George III prohibits under heavy penalties all master taylors in London, and five miles round

it, from giving, and their workmen from accepting, more than two shillings and sevenpence halfpenny a day, except in the case of a general mourning. Whenever the legislature attempts to regulate the difference between masters and their workmen, its counsellors are always the masters. When the regulation, therefore, is in favour of the workmen, it is always just and equitable, but it is sometimes otherwise when in favour of the masters. Thus the law which obliges the masters in several different trades to pay their workmen in money and not in goods, is quite just and equitable. It imposes no real hardship upon the masters. It only obliges them to pay that value in money, which they pretended to pay, but did not always really pay in goods. This law is in favour of the workmen, but the 8th of George III is in favour of the masters. When masters combine together in order to reduce the wages of their workmen, they commonly enter into a private bond or agreement, not to give more than a certain wage under a certain penalty. Were the workmen to enter into a contrary combination of the same kind, not to accept of a certain wage under a certain penalty, the law would punish them very severely; and if it dealt impartially, it would treat the masters in the same manner. But the 8th of George III enforces by law that very regulation which masters sometimes attempt to establish by such combinations. The complaint of the workmen, that it puts the ablest and most industrious upon the same footing with an ordinary workman, seems perfectly well founded.

In ancient times too it was usual to attempt to regulate the profits of merchants and other dealers, by rating the price both of provisions and other goods. The assize of

bread is, so far as I know, the only remnant of this ancient usage. Where there is an exclusive corporation, it may perhaps be proper to regulate the price of the first necessary of life. But where there is none, the competition will regulate it much better than any assize .

The proportion between the different rates both of wages and profit in the different employments of labour and stock, seems not to be much affected, as has already been observed, by the riches or poverty, the advancing, stationary, or declining state of the society Such revolutions in the public welfare, though they affect the general rates both of wages and profit, must in the end affect them equally in all different employments The proportion between them, therefore, must remain the same, and cannot well be altered, at least for any considerable time, by any such revolutions.

CHAPTER XI.

OF THE RENT OF LAND.

RENT, considered as the price paid for the use of land, is naturally the highest which the tenant can afford to pay in the actual circumstances of the land. In adjusting the terms of the lease, the landlord endeavours to leave him no greater share of the produce than what is sufficient to keep up the stock from which he furnishes the feed, pays the labour, and purchases and maintains the cattle and other instruments of husbandry, together with the ordinary profits of farming stock in the neighbourhood. This is evidently the smallest share with which the tenant can content himself without being a loser, and the landlord seldom means to leave him any more. Whatever part of the produce, or, what is the same thing, whatever part of its price, is over and above this share, he naturally endeavours to reserve to himself as the rent of his land, which is evidently the highest the tenant can afford to pay in the actual circumstances of the land. Sometimes, indeed, the liberality, more frequently the ignorance, of the landlord makes him accept of somewhat less than this portion, and sometimes, too, though more rarely, the ignorance of the tenant makes him undertake to pay somewhat more, or to content himself with somewhat less than the ordinary profits of farming stock in the neighbourhood. This portion, however, may still be con-

sidered as the natural rent of land, or the rent for which it is naturally meant that land should for the most part be let.

The rent of land, it may be thought, is frequently no more than a reasonable profit or interest for the stock laid out by the landlord upon its improvement. This, no doubt, may be partly the case upon some occasions, for it can scarce ever be more than partly the case. The landlord demands a rent even for unimproved land, and the supposed interest or profit upon the expense of improvement is generally an addition to this original rent. Those improvements, besides, are not always made by the stock of the landlord, but sometimes by that of the tenant. When the lease comes to be renewed, however, the landlord commonly demands the same augmentation of rent, as if they had been all made by his own.

He sometimes demands rent for what is altogether incapable of human improvement. Kelp is a species of seaweed, which, when burnt, yields an alkaline salt, useful for making glass, soap, and for several other purposes. It grows in several parts of Great Britain, particularly in Scotland, upon such rocks only as lie within the high-water mark, which are twice every day covered with the sea, and of which the produce, therefore, was never augmented by human industry. The landlord, however, whose estate is bounded by a kelp shore of this kind, demands a rent for it as much as for his corn-fields . . .

The rent of land, therefore, considered as the price paid for the use of the land, is naturally a monopoly price. It is not at all proportioned to what the landlord may have laid

out upon the improvement of the land, or to what he can afford to take, but to what the farmer can afford to give.

Such parts only of the produce of land can commonly be brought to market of which the ordinary price is sufficient to replace the stock which must be employed in bringing them thither, together with its ordinary profits. If the ordinary price is more than this, the surplus part of it will naturally go to the rent of the land. If it is not more, though the commodity may be brought to market, it can afford no rent to the landlord. Whether the price is, or is not more, will depend upon the demand.

There are some parts of the produce of land for which the demand must always be such as to afford a greater price than what is sufficient to bring them to market, and there are others for which it either may or may not be such as to afford this greater price. The former must always afford a rent to the landlord. The latter sometimes may, and sometimes may not, according to different circumstances.

Rent, it is to be observed, therefore, enters into the composition of the price of commodities in a different way from wages and profit. High or low wages and profit are the causes of high or low price, high or low rent is the effect of it. It is because high or low wages and profit must be paid, in order to bring a particular commodity to market, that its price is high or low; but it is because its price is high or low, a great deal more, or very little more, or no more, than what is sufficient to pay those wages and profit, that it affords a high rent, a low rent, or no rent at all. . . .

PART I.—*Of the Produce of Land which always affords
Rent*

As men, like other animals, naturally multiply in proportion to the means of their subsistence, food is always, more or less, in demand. It can always purchase or command a greater or smaller quantity of labour, and somebody can always be found who is willing to do something in order to obtain it. The quantity of labour, indeed, which it can purchase, is not always equal to what it could maintain, if managed in the most economical manner, on account of the high wages which are sometimes given to labour. But it can always purchase such a quantity of labour as it can maintain, according to the rate at which that sort of labour is commonly maintained in the neighbourhood.

But land, in almost any situation, produces a greater quantity of food than what is sufficient to maintain all the labour necessary for bringing it to market, in the most liberal way in which that labour is ever maintained. The surplus too is always more than sufficient to replace the stock which employed that labour, together with its profits. Something, therefore, always remains for a rent to the landlord.

The most desert moors in Norway and Scotland produce some sort of pasture for cattle, of which the milk and the increase are always more than sufficient, not only to maintain all the labour necessary for tending them, and to pay the ordinary profit to the farmer or owner of the herd or flock, but to afford some small rent to the landlord .

The rent of land not only varies with its fertility, whatever be its produce, but with its situation, whatever be its fertility.

Land in the neighbourhood of a town gives a greater rent than land equally fertile in a distant part of the country. Though it may cost no more labour to cultivate the one than the other, it must always cost more to bring the produce of the distant land to market. A greater quantity of labour, therefore, must be maintained out of it; and the surplus, from which are drawn both the profit of the farmer and the rent of the landlord, must be diminished. But in remote parts of the country the rate of profits, as has already been shown, is generally higher than in the neighbourhood of a large town. A smaller proportion of this diminished surplus, therefore, must belong to the landlord.

Good roads, canals, and navigable rivers, by diminishing the expense of carriage, put the remote parts of the country more nearly upon a level with those in the neighbourhood of the town. They are upon that account the greatest of all improvements. They encourage the cultivation of the remote, which must always be the most extensive, circle of the country. They are advantageous to the town, by breaking down the monopoly of the country in its neighbourhood. They are advantageous even to that part of the country. Though they introduce some rival commodities into the old market, they open many new markets to its produce. Monopoly, besides, is a great enemy to good management, which can never be universally established but in consequence of that free and universal competition which forces everybody to have resource to it for the sake of self-defence.

A corn-field of moderate fertility produces a much greater quantity of food for man than the best pasture of equal extent. Though its cultivation requires much more labour,

yet the surplus which remains after replacing the seed and maintaining all that labour, is likewise much greater. If a pound of butcher's-meat, therefore, was never supposed to be worth more than a pound of bread, this greater surplus would everywhere be of greater value, and constitute a greater fund both for the profit of the farmer and the rent of the landlord. It seems to have done so universally in the rude beginning of agriculture.

But the relative values of those two different species of food, bread and butcher's-meat, are very different in the different periods of agriculture. In its rude beginning, the unimproved wilds, which then occupy the far greater part of the country, are all abandoned to cattle. There is more butcher's-meat than bread, and bread, therefore, is the food for which there is the greatest competition, and which consequently brings the greatest price . . . It is otherwise when cultivation is extended over the greater part of the country. There is then more bread than butcher's-meat. The competition changes its direction, and the price of butcher's-meat becomes greater than the price of bread.

By the extension besides of cultivation, the unimproved wilds become insufficient to supply the demand for butcher's-meat. A great part of the cultivated lands must be employed in rearing and fattening cattle, of which the price, therefore, must be sufficient to pay, not only the labour necessary for tending them, but the rent which the landlord and the profit which the farmer could have drawn from such land employed in tillage. The cattle bred upon the most cultivated moors, when brought to the same market, are, in proportion to their weight or goodness, sold at the same price as those which

are reared upon the most improved land. The proprietors of those moors profit by it, and raise the rent of their land in proportion to the price of their cattle

It is thus that in the progress of improvement the rent and profit of unimproved pasture come to be regulated in some measure by the rent and profit of what is improved, and these again by the rent and profit of corn. Corn is an annual crop. Butcher's-meat, a crop which requires four or five years to grow. As an acre of land, therefore, will produce a much smaller quantity of the one species of food than of the other, the inferiority of the quantity must be compensated by the superiority of the price. If it was more than compensated, more corn land would be turned into pasture, and if it was not compensated, part of what was in pasture would be brought back into corn.

This equality, however, between the rent and profit of grass and those of corn, of the land of which the immediate produce is food for cattle, and of that of which the immediate produce is food for men, must be understood to take place only through the greater part of the improved lands of a great country. In some particular local situations it is quite otherwise, and the rent and profit of grass are much superior to what can be made by corn.

Thus in the neighbourhood of a great town, the demand for milk and for forage to horses, frequently contribute, together with the high price of butcher's-meat, to raise the value of grass above what may be called its natural proportion to that of corn.

Particular circumstances have sometimes rendered some countries so populous, that the whole territory, like the lands

in the neighbourhood of a great town, has not been sufficient to produce both the grass and the corn necessary for the subsistence of their inhabitants Their lands, therefore, have been principally employed in the production of grass, the more bulky commodity, and which cannot be so easily brought from a great distance, and corn, the food of the great body of the people, has been chiefly imported from foreign countries Holland is at present in this situation, and a considerable part of ancient Italy seems to have been so during the prosperity of the Romans . . .

In an open country too, of which the principal produce is corn, a well-enclosed piece of grass will frequently rent higher than any corn-field in its neighbourhood It is convenient for the maintenance of the cattle employed in the cultivation of the corn, and its high rent is, in this case, not so properly paid from the value of its own produce, as from that of the corn lands which are cultivated by means of it. . .

But where there is no local advantage of this kind, the rent and profit of corn, or whatever else is the common vegetable food of the people, must naturally regulate, upon the land which is fit for producing it, the rent and profit of pasture.

The use of the artificial grasses, of turnips, carrots, cabbages, and the other expedients which have been fallen upon to make an equal quantity of land feed a greater number of cattle than when in natural grass, should somewhat reduce, it might be expected, the superiority which, in an improved country, the price of butcher's-meat naturally has over that of bread It seems accordingly to have done so. . .

In all great countries the greater part of the cultivated

lands are employed in producing either food for men or food for cattle. The rent and profit of these regulate the rent and profit of all other cultivated land. If any particular produce afforded less, the land would soon be turned into corn or pasture, and if any afforded more, some part of the lands in corn and pasture would soon be turned to that produce.

Those productions, indeed, which require either a greater original expense of improvement, or a greater annual expense of cultivation, in order to fit the land for them, appear commonly to afford, the one a greater rent, the other a greater profit than corn or pasture. This superiority, however, will seldom be found to amount to more than a reasonable interest or compensation for this superior expense.

In a hop garden, a fruit garden, a kitchen garden, both the rent of the landlord, and the profit of the farmer, are generally greater than in a corn or grass field. But to bring the ground into this condition requires more expense. Hence a greater rent becomes due to the landlord. It requires too a more attentive and skilful management. Hence a greater profit becomes due to the farmer. The crop too, at least in the hop and fruit garden, is more precarious. Its price, therefore, besides compensating all occasional losses, must afford something like the profit of insurance. The circumstances of gardeners, generally mean, and always moderate, may satisfy us that their great ingenuity is not commonly over-compensated. Their delightful art is practised by so many rich people for amusement, that little advantage is to be made by those who practise it for profit, because the

persons who should naturally be their best customers, supply themselves with all their most precious productions

The advantage which the landlord derives from such improvements seems at no time to have been greater than what was sufficient to compensate the original expense of making them . . .

It sometimes happens, indeed, that the quantity of land which can be fitted for some particular produce, is too small to supply the effectual demand. The whole produce can be disposed of to those who are willing to give somewhat more than what is sufficient to pay the whole rent, wages, and profit necessary for raising and bringing it to market, according to their natural rates, or according to the rates at which they are paid in the greater part of other cultivated land. The surplus part of the price which remains after defraying the whole expense of improvement and cultivation may commonly, in this case, and in this case only, bear no regular proportion to the like surplus in corn or pasture, but may exceed it in almost any degree, and the greater part of this excess goes to the rent of the landlord.

The usual and natural proportion, for example, between the rent and profit of wine and those of corn and pasture, must be understood to take place only with regard to those vineyards which produce nothing but good common wine, such as can be raised almost anywhere, upon any light, gravelly, or sandy soil, and which has nothing to recommend it but its strength and wholesomeness. It is with such vineyards only that the common land of the country can be brought into competition, for with those of a peculiar quality it is evident that it cannot

The vine is more affected by the difference of soils than any other fruit tree. From some it derives a flavour which no culture or management can equal, it is supposed, upon any other. This flavour, real or imaginary, is sometimes peculiar to the produce of a few vineyards, sometimes it extends through the greater part of a small district, and sometimes through a considerable part of a large province. The whole quantity of such wines that is brought to market falls short of the effectual demand, or the demand of those who would be willing to pay the whole rent, profit, and wages necessary for preparing and bringing them thither, according to the ordinary rate, or according to the rate at which they are paid in common vineyards. The whole quantity, therefore, can be disposed of to those who are willing to pay more, which necessarily raises the price above that of common wine. The difference is greater or less, according as the fashionableness and scarcity of the wine render the competition of the buyers more or less eager. Whatever it be, the greater part of it goes to the rent of the landlord. For though such vineyards are in general more carefully cultivated than most others, the high price of the wine seems to be, not so much the effect, as the cause of this careful cultivation. In so valuable a produce the loss occasioned by negligence is so great as to force even the most careless to attention. A small part of this high price, therefore, is sufficient to pay the wages of the extraordinary labour bestowed upon their cultivation, and the profits of the extraordinary stock which puts that labour into motion . . .

It is in this manner that the rent of the cultivated land

of which the produce is human food, regulates the rent of the greater part of other cultivated land. No particular produce can long afford less, because the land would immediately be turned to another use. And if any particular produce commonly affords more, it is because the quantity of land which can be fitted for it is too small to supply the effectual demand.

In Europe corn is the principal produce of land which serves immediately for human food. Except in particular situations, therefore, the rent of corn land regulates in Europe that of all other cultivated land. Britain need envy neither the vineyards of France nor the olive plantations of Italy. Except in particular situations, the value of these is regulated by that of corn, in which the fertility of Britain is not much inferior to that of either of those two countries. .

*Effects of the Progress of Improvement upon the Real Price
of Manufactures*

It is the natural effect of improvement to diminish gradually the real price of almost all manufactures. That of the manufacturing workmanship diminishes, perhaps, in all of them without exception. In consequence of better machinery, of greater dexterity, and of a more proper division and distribution of work, all of which are the natural effects of improvement, a much smaller quantity of labour becomes requisite for executing any particular piece of work, and though, in consequence of the flourishing circumstances of the society, the real price of labour should rise very considerably, yet the great diminution of

the quantity will generally much more than compensate the greater rise which can happen in the price.

There are, indeed, a few manufactures, in which the necessary rise in the real price of the rude materials will more than compensate all the advantages which improvement can introduce into the execution of the work. In carpenters' and joiners' work, and in the coarser sort of cabinet work, the necessary rise in the real price of barren timber, in consequence of the improvement of land, will more than compensate all the advantages which can be derived from the best machinery, the greatest dexterity, and the most proper division and distribution of work. . . .

But in all cases in which the real price of the rude materials either does not rise at all, or does not rise very much, that of the manufactured commodity sinks very considerably.

Conclusion of the Chapter

I shall conclude this very long chapter with observing, that every improvement in the circumstances of the society tends either directly or indirectly to raise the real rent of land, to increase the real wealth of the landlord, his power of purchasing the labour, or the produce of the labour of other people.

The extension of improvement and cultivation tends to raise it directly. The landlord's share of the produce necessarily increases with the increase of the produce.

That rise in the real price of those parts of the rude produce of land, which is first the effect of extended improvement and cultivation, and afterwards the cause of

their being still further extended, the rise in the price of cattle, for example, tends too to raise the rent of land directly, and in a still greater proportion. The real value of the landlord's share, his real command of the labour of other people, not only rises with the real value of the produce, but the proportion of his share to the whole produce rises with it. That produce, after the rise in its real price, requires no more labour to collect it than before. A smaller proportion of it will, therefore, be sufficient to replace, with the ordinary profit, the stock which employs that labour. A greater proportion of it must, consequently, belong to the landlord.

All those improvements in the productive powers of labour, which tend directly to reduce the real price of manufactures, tend indirectly to raise the real rent of land. The landlord exchanges that part of his rude produce, which is over and above his own consumption, or what comes to the same thing, the price of that part of it, for manufactured produce. Whatever reduces the real price of the latter, raises that of the former. An equal quantity of the former becomes thereby equivalent to a greater quantity of the latter, and the landlord is enabled to purchase a greater quantity of the conveniences, ornaments, or luxuries, which he has occasion for.

Every increase in the real wealth of the society, every increase in the quantity of useful labour employed within it tends indirectly to raise the real rent of land. A certain proportion of this labour naturally goes to the land. A greater number of men and cattle are employed in its cultivation, the produce increases with the increase of the

stock which is thus employed in raising it, and the rent increases with the produce.

The contrary circumstances, the neglect of cultivation and improvement, the fall in the real price of any part of the rude produce of land, the rise in the real price of manufactures from the decay of manufacturing art and industry, the declension of the real wealth of the society, all tend, on the other hand, to lower the real rent of land, to reduce the real wealth of the landlord, to diminish his power of purchasing either the labour, or the produce of the labour of other people.

The whole annual produce of the land and labour of every country, or what comes to the same thing, the whole price of that annual produce, naturally divides itself, it has already been observed, into three parts,—the rent of land, the wages of labour, and the profits of stock, and constitutes a revenue to three different orders of people,—to those who live by rent, to those who live by wages, and to those who live by profit. These are the three great original and constituent orders of every civilized society, from whose revenue that of every other order is ultimately derived.

The interest of the first of those three great orders, it appears from what has been just now said, is strictly and inseparably connected with the general interest of the society. Whatever either promotes or obstructs the one, necessarily promotes or obstructs the other. When the public deliberates concerning any regulation of commerce or police, the proprietors of land never can mislead it, with a view to promote the interest of their own particular order, at least, if they have any tolerable knowledge of

that interest They are, indeed, too often defective in this tolerable knowledge They are the only one of the three orders whose revenue costs them neither labour nor care, but comes to them, as it were, of its own accord, and independent of any plan or project of their own. That indolence, which is the natural effect of the ease and security of their situation, renders them too often, not only ignorant, but incapable of that application of mind which is necessary in order to foresee and understand the consequences of any public regulation.

The interest of the second order, that of those who live by wages, is as strictly connected with the interest of the society as that of the first The wages of the labourer, it has already been shown, are never so high as when the demand for labour is continually rising, or when the quantity employed is every year increasing considerably. When this real wealth of the society becomes stationary, his wages are soon reduced to what is barely enough to enable him to bring up a family, or to continue the race of labourers. When the society declines, they fall even below this The order of proprietors may, perhaps, gain more by the prosperity of the society than that of labourers, but there is no order that suffers so cruelly from decline But though the interest of the labourer is strictly connected with that of the society, he is incapable either of comprehending that interest, or of understanding its connexion with his own. His condition leaves him no time to receive the necessary information, and his education and habits are commonly such as to render him unfit to judge even though he was fully informed In the

public deliberations, therefore, his voice is little heard and less regarded, except upon some particular occasions, when his clamour is animated, set on, and supported by his employers, not for his, but their own particular purposes.

His employers constitute the third order, that of those who live by profit. It is the stock that is employed for the sake of profit, which puts into motion the greater part of the useful labour of every society. The plans and projects of the employers of stock regulate and direct all the most important operations of labour, and profit is the end proposed by all those plans and projects. But the rate of profit does not, like rent and wages, rise with the prosperity and fall with the declension of the society. On the contrary, it is naturally low in rich and high in poor countries, and it is always highest in the countries which are going fastest to ruin. The interest of this third order, therefore, has not the same connexion with the general interest of the society as that of the other two. Merchants and master manufacturers are, in this order, the two classes of people who commonly employ the largest capitals, and who by their wealth draw to themselves the greater share of the public consideration. As during their whole lives they are engaged in plans and projects, they have frequently more acuteness of understanding than the greater part of country gentlemen. As their thoughts, however, are commonly exercised rather about the interest of their own particular branch of business, than about that of the society, their judgment, even when given with the greatest candour, — which it has not been upon every occasion, — is much more to be depended upon with regard

to the former of those two objects than with regard to the latter. Their superiority over the country gentleman is, not so much in their knowledge of the public interest, as in their having a better knowledge of their own interest than he has of his. It is by this superior knowledge of their own interest that they have frequently imposed upon his generosity, and persuaded him to give up both his own interest and that of the public, from a very simple but honest conviction, that their interest, and not his, was the interest of the public. The interest of the dealers, however, in any particular branch of trade or manufactures, is always in some respects different from, and even opposite to, that of the public. To widen the market and to narrow the competition is always the interest of the dealers. To widen the market may frequently be agreeable enough to the interest of the public, but to narrow the competition must always be against it, and can serve only to enable the dealers, by raising their profits above what they naturally would be, to levy, for their own benefit, an absurd tax upon the rest of their fellow-citizens. The proposal of any new law or regulation of commerce which comes from this order, always ought to be listened to with great precaution, and ought never to be adopted till after having been long and carefully examined, not only with the most scrupulous, but with the most suspicious attention. It comes from an order of men, whose interest is never exactly the same with that of the public, who have generally an interest to deceive and even to oppress the public, and who accordingly have, upon many occasions, both deceived and oppressed it.

BOOK II.

OF THE NATURE, ACCUMULATION, AND EMPLOYMENT OF STOCK.

INTRODUCTION.

IN that rude state of society in which there is no division of labour, in which exchanges are seldom made, and in which every man provides everything for himself, it is not necessary that any stock should be accumulated or stored up beforehand, in order to carry on the business of the society Every man endeavours to supply by his own industry his own occasional wants as they occur When he is hungry, he goes to the forest to hunt, when his coat is worn out, he clothes himself with the skin of the first large animal he kills, and when his hut begins to go to ruin, he repairs it, as well as he can, with the trees and the turf that are nearest it.

But when the division of labour has once been thoroughly introduced, the produce of a man's own labour can supply but a very small part of his occasional wants The far greater part of them are supplied by the produce of other men's labour, which he purchases with the produce or, what is the same thing, with the price of the produce

of his own But this purchase cannot be made till such time as the produce of his own labour has not only been completed, but sold A stock of goods of different kinds, therefore, must be stored up somewhere sufficient to maintain him, and to supply him with the materials and tools of his work, till such time, at least, as both these events can be brought about A weaver cannot apply himself entirely to his peculiar business, unless there is beforehand stored up somewhere, either in his own possession or in that of some other person, a stock sufficient to maintain him, and to supply him with the materials and tools of his work, till he has not only completed, but sold his web. This accumulation must, evidently, be previous to his applying his industry for so long a time to such a peculiar business

As the accumulation of stock must, in the nature of things, be previous to the division of labour, so labour can be more and more subdivided in proportion only as stock is previously more and more accumulated The quantity of materials which the same number of people can work up, increases in a great proportion as labour comes to be more and more subdivided, and as the operations of each workman are gradually reduced to a greater degree of simplicity, a variety of new machines comes to be invented for facilitating and abridging those operations As the division of labour advances, therefore, in order to give constant employment to an equal number of workmen, an equal stock of provisions, and a greater stock of materials and tools than what would have been necessary in a ruder state of things, must be accumulated beforehand But the

number of workmen in every branch of business generally increases with the division of labour in that branch, or rather it is the increase of their number which enables them to class and subdivide themselves in this manner.

As the accumulation of stock is previously necessary for carrying on this great improvement in the productive powers of labour, so that accumulation naturally leads to this improvement. The person who employs his stock in maintaining labour, necessarily wishes to employ it in such a manner as to produce as great a quantity of work as possible. He endeavours, therefore, both to make among his workmen the most proper distribution of employment, and to furnish them with the best machines which he can either invent or afford to purchase. His abilities in both these respects are generally in proportion to the extent of his stock, or to the number of people whom it can employ. The quantity of industry, therefore, not only increases in every country with the increase of the stock which employs it, but, in consequence of that increase, the same quantity of industry produces a much greater quantity of work.

Such are in general the effects of the increase of stock upon industry and its productive powers

In the following book I have endeavoured to explain the nature of stock, the effects of its accumulation into capitals of different kinds, and the effects of the different employments of those capitals. . . .

CHAPTER I

OF THE DIVISION OF STOCK

WHEN the stock which a man possesses is no more than sufficient to maintain him for a few days or a few weeks, he seldom thinks of deriving any revenue from it. He consumes it as sparingly as he can, and endeavours by his labour to acquire something which may supply its place before it be consumed altogether. His revenue is, in this case, derived from his labour only. This is the state of the greater part of the labouring poor in all countries.

But when he possesses stock sufficient to maintain him for months or years, he naturally endeavours to derive a revenue from the greater part of it, reserving only so much for his immediate consumption as may maintain him till this revenue begins to come in. His whole stock, therefore, is distinguished into two parts. That part which he expects is to afford him this revenue, is called his capital. The other is that which supplies his immediate consumption, and which consists either, first, in that portion of his whole stock which was originally reserved for this purpose, or, secondly, in his revenue, from whatever source derived, as it gradually comes in, or, thirdly, in such things as had been purchased by either of these in former years, and which are not yet entirely consumed, such as a stock of cloaths, household furniture,

and the like. In one, or other, or all of these three articles, consists the stock which men commonly reserve for their own immediate consumption.

There are two different ways in which a capital may be employed so as to yield a revenue or profit to its employer.

First, it may be employed in raising, manufacturing, or purchasing goods, and selling them again with a profit. The capital employed in this manner yields no revenue or profit to its employer, while it either remains in his possession or continues in the same shape. The goods of the merchant yield him no revenue or profit till he sells them for money, and the money yields him as little till it is again exchanged for goods. His capital is continually going from him in one shape, and returning to him in another, and it is only by means of such circulation, or successive exchanges, that it can yield him any profit. Such capitals, therefore, may very properly be called circulating capitals.

Secondly, it may be employed in the improvement of land, in the purchase of useful machines and instruments of trade, or in such-like things as yield a revenue or profit without changing masters, or circulating any further. Such capitals, therefore, may very properly be called fixed capitals.

Different occupations require very different proportions between the fixed and circulating capitals employed in them.

The capital of a merchant, for example, is altogether a circulating capital. He has occasion for no machines or instruments of trade, unless his shop or warehouse be considered as such.

Some part of the capital of every master artificer or manufacturer must be fixed in the instruments of his trade. This part, however, is very small in some, and very great in others. A master taylor requires no other instruments of trade but a parcel of needles. Those of the master shoemaker are a little, though but a very little, more expensive. Those of the weaver rise a good deal above those of the shoemaker. The far greater part of the capital of all such master artificers, however, is circulated, either in the wages of their workmen, or in the price of their materials, and to be repaid with a profit by the price of the work.

In other works a much greater fixed capital is required. In a great iron-work, for example, the furnace for melting the ore, the forge, the slitt-mill, are instruments of trade which cannot be erected without a very great expense. In coal-works and mines of every kind, the machinery necessary both for drawing out the water and for other purposes, is frequently still more expensive.

That part of the capital of the farmer which is employed in the instruments of agriculture is a fixed, that which is employed in the wages and maintenance of his labouring servants is a circulating, capital. He makes a profit of the one by keeping it in his own possession, and of the other by parting with it. The price or value of his labouring cattle is a fixed capital in the same manner as that of the instruments of husbandry, their maintenance is a circulating capital in the same manner as that of the labouring servants. The farmer makes his profit by keeping the labouring cattle and by parting with their maintenance. Both the price and the maintenance of the cattle which

are brought in and fattened, not for labour, but for sale, are a circulating capital. The farmer makes his profit by parting with them. A flock of sheep or a herd of cattle that, in a breeding country, is brought in, neither for labour nor for sale, but in order to make a profit by their wool, by their milk, and by their increase, is a fixed capital the profit is made by keeping them Their maintenance is a circulating capital the profit is made by parting with it, and it comes back with both its own profit, and the profit upon the whole price of the cattle, in the price of the wool, the milk, and the increase. The whole value of the seed too is properly a fixed capital. Though it goes backwards and forwards between the ground and the granary, it never changes masters, and therefore does not properly circulate The farmer makes his profit not by its sale, but by its increase.

The general stock of any country or society is the same with that of all its inhabitants or members, and therefore naturally divides itself into the same three portions, each of which has a distinct function or office.

The First, is that portion which is reserved for immediate consumption, and of which the characteristic is, that it affords no revenue or profit. It consists in the stock of food, cloaths, household furniture, etc., which have been purchased by their proper consumers, but which are not yet entirely consumed. The whole stock of mere dwelling-houses too subsisting at any one time in the country, makes a part of this first portion The stock that is laid out in a house, if it is to be the dwelling-house of the proprietor, ceases from that moment to serve in the function of a

capital, or to afford any revenue to its owner. A dwelling-house, as such, contributes nothing to the revenue of its inhabitant, and though it is, no doubt, extremely useful to him, it is as his cloaths and household furniture are useful to him, which, however, make a part of his expense, and not of his revenue. If it is to be let to a tenant for rent, as the house itself can produce nothing, the tenant must always pay the rent out of some other revenue which he derives either from labour, or stock, or land. Though a house, therefore, may yield a revenue to its proprietor, and thereby serve in the function of a capital to him, it cannot yield any to the public, nor serve in the function of a capital to it, and the revenue of the whole body of the people can never be in the smallest degree increased by it. Cloaths and household furniture, in the same manner, sometimes yield a revenue, and thereby serve in the function of a capital to particular persons. In countries where masquerades are common, it is a trade to let out masquerade dresses for a night. Upholsterers frequently let furniture by the month or by the year. Undertakers let the furniture for funerals by the day and by the week. Many people let furnished houses and get a rent, not only for the use of the house, but for that of the furniture. The revenue, however, which is derived from such things, must always be ultimately drawn from some other source of revenue. Of all parts of the stock either of an individual, or of a society, reserved for immediate consumption, what is laid out in houses is most slowly consumed. A stock of cloaths may last several years a stock of furniture half a century or a century but a stock of

houses, well built and properly taken care of, may last many centuries. Though the period of total consumption, however, is more distant, they are still as really a stock reserved for immediate consumption as are either cloaths or household furniture

The Second of the three portions into which the general stock of the society divides itself, is the fixed capital, of which the characteristic is, that it affords a revenue or profit without circulating or changing masters. It consists chiefly of the four following articles —

First, of all useful machines and instruments of trade which facilitate and abridge labour

Secondly, of all those profitable buildings which are the means of procuring a revenue, not only to their proprietor who lets them for a rent, but to the person who possesses them and pays that rent for them, such as shops, warehouses, workshops, farmhouses, with all their necessary buildings, stables, granaries, etc. These are very different from mere dwelling-houses. They are a sort of instruments of trade, and may be considered in the same light.

Thirdly, of the improvements of land, of what has been profitably laid out in clearing, draining, enclosing, manuring, and reducing it into the condition most proper for tillage and culture. An improved farm may very justly be regarded in the same light as those useful machines which facilitate and abridge labour, and by means of which an equal circulating capital can afford a much greater revenue to its employer. An improved farm is equally advantageous and more durable than any of those machines, frequently requiring no other repairs than the

most profitable application of the farmer's capital which is employed in cultivating it

Fourthly, of the acquired and useful abilities of all the inhabitants or members of the society. The acquisition of such talents by the maintenance of the acquirer during his education, study, or apprenticeship, always costs a real expense, which is a capital fixed and realized, as it were, in his person. Those talents, as they make a part of his fortune, so do they likewise of that of the society to which he belongs. The improved dexterity of a workman may be considered in the same light as a machine or instrument of trade which facilitates and abridges labour, and which, though it costs a certain expense, repays that expense with a profit.

The Third and last of the three portions into which the general stock of the society naturally divides itself, is the circulating capital, of which the characteristic is, that it affords a revenue only by circulating or changing masters. It is composed likewise of four parts —

First, of the money by means of which all the other three are circulated and distributed to their proper consumers

Secondly, of the stock of provisions which are in the possession of the butcher, the grazier, the farmer, the corn-merchant, the brewer, etc., and from the sale of which they expect to derive a profit

Thirdly, of the materials, whether altogether rude, or more or less manufactured, of cloaths, furniture and building, which are not yet made up into any of those three shapes, but which remain in the hands of the growers, the

manufacturers, the mercers and drapers, the timber-merchants, the carpenters and joiners, the brick-makers, etc.

Fourthly, and lastly, of the work which is made up and completed, but which is still in the hands of the merchant or manufacturer, and not yet disposed of or distributed to the proper consumers, such as the finished work which we frequently find ready-made in the shops of the smith, the cabinet-maker, the goldsmith, the jeweller, the china-merchant, etc. The circulating capital consists in this manner, of the provisions, materials, and finished work of all kinds that are in the hands of their respective dealers, and of the money that is necessary for circulating and distributing them to those who are finally to use, or to consume them.

Of these four parts, three—provisions, materials, and finished work—are, either annually, or in a longer or shorter period, regularly withdrawn from it, and placed either in the fixed capital or in the stock reserved for immediate consumption.

Every fixed capital is both originally derived from, and requires to be continually supported by a circulating capital. All useful machines and instruments of trade are originally derived from a circulating capital, which furnishes the materials of which they are made, and the maintenance of the workmen who make them. They require too a capital of the same kind to keep them in constant repair.

No fixed capital can yield any revenue but by means of a circulating capital. The most useful machines and instruments of trade will produce nothing without the

circulating capital which affords the materials they are employed upon, and the maintenance of the workmen who employ them Land, however improved, will yield no revenue without a circulating capital, which maintains the labourers who cultivate and collect its produce.

To maintain and augment the stock which may be reserved for immediate consumption, is the sole end and purpose both of the fixed and circulating capitals. It is this stock which feeds, clothes, and lodges the people. Their riches or poverty depends upon the abundant or sparing supplies which those two capitals can afford to the stock reserved for immediate consumption.

So great a part of the circulating capital being continually withdrawn from it, in order to be placed in the other two branches of the general stock of the society, it must in its turn require continual supplies, without which it would soon cease to exist. These supplies are principally drawn from three sources, the produce of land, of mines, and of fisheries. These afford continual supplies of provisions and materials, of which part is afterwards wrought up into finished work, and by which are replaced the provisions, materials, and finished work continually withdrawn from the circulating capital. From mines, too, is drawn what is necessary for maintaining and augmenting that part of it which consists in money. For though, in the ordinary course of business, this part is not, like the other three, necessarily withdrawn from it, in order to be placed in the other two branches of the general stock of the society, it must, however, like all other things, be wasted and worn out at last, and sometimes, too, be either

lost or sent abroad, and must, therefore, require continual though, no doubt, much smaller supplies

Land, mines, and fisheries, require all both a fixed and a circulating capital to cultivate them, and their produce replaces with a profit, not only those capitals, but all the others in the society. Thus the farmer annually replaces to the manufacturer the provisions which he had consumed and the materials which he had wrought up the year before, and the manufacturer replaces to the farmer the finished work which he had wasted and worn out in the same time. This is the real exchange that is annually made between those two orders of people, though it seldom happens that the rude produce of the one and the manufactured produce of the other, are directly bartered for one another, because it seldom happens that the farmer sells his corn and his cattle, his flax and his wool, to the very same person of whom he chooses to purchase the cloaths, furniture, and instruments of trade which he wants. He sells, therefore, his rude produce for money, with which he can purchase, wherever it is to be had, the manufactured produce he has occasion for. Land even replaces, in part at least, the capitals with which fisheries and mines are cultivated. It is the produce of land which draws the fish from the waters, and it is the produce of the surface of the earth which extracts the minerals from its bowels.

The produce of land, mines, and fisheries, when their natural fertility is equal, is in proportion to the extent and proper application of the capitals employed about them. When the capitals are equal and equally well applied, it is in proportion to their natural fertility.

In all countries where there is tolerable security, every man of common understanding will endeavour to employ whatever stock he can command, in procuring either present enjoyment or future profit. If it is employed in procuring present enjoyment, it is a stock reserved for immediate consumption. If it is employed in procuring future profit, it must procure this profit either by staying with him, or by going from him. In the one case it is a fixed, in the other it is a circulating capital. A man must be perfectly crazy who, where there is tolerable security, does not employ all the stock which he commands, whether it be his own or has been borrowed of other people, in some way or other of those three ways. . . .

CHAPTER III

OF THE ACCUMULATION OF CAPITAL, OR OF PRODUCTIVE AND UNPRODUCTIVE LABOUR.

THERE is one sort of labour which adds to the value of the subject upon which it is bestowed there is another which has no such effect The former, as it produces a value, may be called productive , the latter, unproductive¹ labour. Thus the labour of a manufacturer adds, generally, to the value of the materials which he works upon, that of his own maintenance, and of his master's profit. The labour of a menial servant, on the contrary, adds to the value of nothing Though the manufacturer has his wages advanced to him by his master, he, in reality, costs him no expense, the value of those wages being generally restored, together with a profit, in the improved value of the subject upon which his labour is bestowed But the maintenance of a menial servant never is restored A man grows rich by employing a multitude of manufacturers he grows poor by maintaining a multitude of menial servants The labour of the latter, however, has its value, and deserves its reward as well as that of the former. But the labour of the manufacturer fixes and realizes itself in some particular subject or

¹ Some French authors of learning and ingenuity have used those words in a different sense In the last chapter of Book IV. I shall endeavour to show that their sense is an improper one

vendible commodity, which lasts for some time at least after that labour is past. It is, as it were, a certain quantity of labour stocked and stored up to be employed, if necessary, upon some other occasion That subject, or what is the same thing, the price of that subject, can afterwards, if necessary, put into motion a quantity of labour equal to that which had originally produced it. The labour of the menial servant, on the contrary, does not fix or realize itself in any particular subject or vendible commodity The services of the menial generally perish in the very instant of their performance, and seldom leave any trace or value behind them, for which an equal quantity of service could afterwards be procured.

The labour of some of the most respectable orders in the society is, like that of menial servants, unproductive of any value, and does not fix or realize itself in any permanent subject, or vendible commodity, which endures after that labour is past, and for which an equal quantity of labour could afterwards be procured. The sovereign, for example, with all the officers both of justice and war who serve under him, the whole army and navy, are unproductive labourers They are the servants of the public, and are maintained by a part of the annual produce of the industry of other people Their service, how honourable, how useful, or how necessary soever, produces nothing for which an equal quantity of service can afterwards be procured The protection, security, and defence of the commonwealth, the effect of their labour this year, will not purchase its protection, security, and defence for the year to come In the same class must be ranked, some both of the gravest and

most important, and some of the most frivolous professions · churchmen, lawyers, physicians, men of letters of all kinds , players, buffoons, musicians, opera-singers, opera-dancers, etc The labour of the meanest of these has a certain value, regulated by the very same principles which regulate that of every other sort of labour , and that of the noblest and most useful produces nothing which could afterwards purchase or procure an equal quantity of labour. Like the declamation of the actor, the harangue of the orator, or the tune of the musician, the work of all of them perishes in the very instant of its production

Both productive and unproductive labourers, and those who do not labour at all, are all equally maintained by the annual produce of the land and labour of the country. This produce, how great soever, can never be infinite, but must have certain limits. According, therefore, as a smaller or greater proportion of it is in any one year employed in maintaining unproductive hands, the more in the one case and the less in the other will remain for the productive, and the next year's produce will be greater or smaller accordingly , the whole annual produce, if we except the spontaneous productions of the earth, being the effect of productive labour

Though the whole annual produce of the land and labour of every country is, no doubt, ultimately destined for supplying the consumption of its inhabitants, and for procuring a revenue to them, yet when it first comes either from the ground, or from the hands of the productive labourers, it naturally divides itself into two parts One of them, and frequently the largest, is, in the first place,

destined for replacing a capital, or for renewing the provisions, materials, and finished work, which had been withdrawn from a capital, the other for constituting a revenue either to the owner of this capital, as the profit of his stock, or to some other person, as the rent of his land. Thus, of the produce of land, one part replaces the capital of the farmer, the other pays his profit and the rent of the landlord, and thus constitutes a revenue both to the owner of this capital as the profits of his stock, and to some other person as the rent of his land Of the produce of a great manufacture, in the same manner, one part, and that always the largest, replaces the capital of the undertaker of the work ; the other pays his profit, and thus constitutes a revenue to the owner of this capital

That part of the annual produce of the land and labour of any country which replaces a capital, never is immediately employed to maintain any but productive hands. It pays the wages of productive labour only. That which is immediately destined for constituting a revenue either as profit or as rent, may maintain indifferently either productive or unproductive hands.

Whatever part of his stock a man employs as a capital, he always expects it to be replaced to him with a profit. He employs it, therefore, in maintaining productive hands only, and after having served in the function of a capital to him, it constitutes a revenue to them Whenever he employs any part of it in maintaining unproductive hands of any kind, that part is, from that moment, withdrawn from his capital, and placed in his stock reserved for immediate consumption.

Unproductive labourers, and those who do not labour at all, are all maintained by revenue, either, first, by that part of the annual produce which is originally destined for constituting a revenue to some particular persons, either as the rent of land or as the profits of stock, or, secondly, by that part which, though originally destined for replacing a capital and for maintaining productive labourers only, yet when it comes into their hands, whatever part of it is over and above their necessary subsistence, may be employed in maintaining indifferently either productive or unproductive hands. Thus, not only the great landlord or the rich merchant, but even the common workman, if his wages are considerable, may maintain a menial servant, or he may sometimes go to a play or a puppet-show, and so contribute his share towards maintaining one sett of unproductive labourers, or he may pay some taxes, and thus help to maintain another sett, more honourable and useful, indeed, but equally unproductive. No part of the annual produce, however, which had been originally destined to replace a capital, is ever directed towards maintaining unproductive hands, till after it has put into motion its full complement of productive labour, or all that it could put into motion in the way in which it was employed. The workman must have earned his wages by work done, before he can employ any part of them in this manner. That part, too, is generally but a small one. It is his spare revenue only, of which productive labourers have seldom a great deal. They generally have some, however, and in payment of taxes the greatness of their number may compensate, in some measure, the smallness of their contribution. The rent of land and the profits of stock are

everywhere, therefore, the principal sources from which unproductive hands derive their subsistence. These are the two sorts of revenue of which the owners have generally most to spare. They might both maintain indifferently either productive or unproductive hands. They seem, however, to have some predilection for the latter. The expense of a great lord feeds generally more idle than industrious people. The rich merchant, though with his capital he maintains industrious people only, yet by his expense, that is, by the employment of his revenue, he feeds commonly the very same sort as the great lord.

The proportion, therefore, between the productive and unproductive hands, depends very much in every country upon the proportion between that part of the annual produce, which, as soon as it comes either from the ground or from the hands of the productive labourers, is destined for replacing a capital, and that which is destined for constituting a revenue, either as rent, or as profit. This proportion is very different in rich from what it is in poor countries.

Thus, at present, in the opulent countries of Europe, a very large, frequently the largest portion of the produce of the land, is destined for replacing the capital of the rich and independent farmer, the other for paying his profits and the rent of the landlord. But anciently, during the prevalency of the feudal government, a very small portion of the produce was sufficient to replace the capital employed in cultivation . . .

In the opulent countries of Europe, great capitals are at present employed in trade and manufactures. In the an-

cient state, the little trade that was stirring, and the few homely and coarse manufactures that were carried on, required but very small capitals These, however, must have yielded very large profits The rate of interest was nowhere less than ten per cent , and their profits must have been sufficient to afford this great interest At present the rate of interest, in the improved parts of Europe, is nowhere higher than six per cent , and in some of the most improved it is so low as four, three, and two per cent Though that part of the revenue of the inhabitants which is derived from the profits of stock is always much greater in rich than in poor countries, it is because the stock is much greater in proportion to the stock the profits are generally much less.

That part of the annual produce, therefore, which, as soon as it comes either from the ground or from the hands of the productive labourers, is destined for replacing a capital, is not only much greater in rich than in poor countries, but bears a much greater proportion to that which is immediately destined for constituting a revenue either as rent or as profit The funds destined for the maintenance of productive labour, are not only much greater in the former than in the latter, but bear a much greater proportion to those which, though they may be employed to maintain either productive or unproductive hands, have generally a predilection for the latter

The proportion between those different funds necessarily determines in every country the general character of the inhabitants as to industry or idleness. We are more industrious than our forefathers ; because in the present times the funds destined for the maintenance of industry are much

greater in proportion to those which are likely to be employed in the maintenance of idleness, than they were two or three centuries ago Our ancestors were idle for want of a sufficient encouragement to industry. . . .

The proportion between capital and revenue, therefore, seems everywhere to regulate the proportion between industry and idleness Wherever capital predominates, industry prevails wherever revenue, idleness. Every increase or diminution of capital, therefore, naturally tends to increase or diminish the real quantity of industry, the number of productive hands, and consequently the exchangeable value of the annual produce of the land and labour of the country, the real wealth and revenue of all its inhabitants

Capitals are increased by parsimony, and diminished by prodigality and misconduct

Whatever a person saves from his revenue he adds to his capital, and either employs it himself in maintaining an additional number of productive hands, or enables some other person to do so by lending it to him for an interest, that is, for a share of the profits As the capital of an individual can be increased only by what he saves from his annual revenue or his annual gains, so the capital of a society, which is the same with that of all the individuals who compose it, can be increased only in the same manner.

Parsimony, and not industry, is the immediate cause of the increase of capital. Industry, indeed, provides the subject which parsimony accumulates. But whatever industry might acquire, if parsimony did not save and store up, the capital would never be the greater

Parsimony, by increasing the fund which is destined for

the maintenance of productive hands, tends to increase the number of those hands whose labour adds to the value of the subject upon which it is bestowed. It tends therefore to increase the exchangeable value of the annual produce of the land and labour of the country. It puts into motion an additional quantity of industry, which gives an additional value to the annual produce.

What is annually saved is as regularly consumed as what is annually spent, and nearly in the same time too, but it is consumed by a different sett of people. That portion of his revenue which a rich man annually spends, is in most cases consumed by idle guests and menial servants, who leave nothing behind them in return for their consumption. That portion which he annually saves, as for the sake of the profit it is immediately employed as a capital, is consumed in the same manner, and nearly in the same time too, but by a different sett of people, by labourers, manufacturers and artificers, who reproduce with a profit the value of their annual consumption. His revenue, we shall suppose, is paid him in money. Had he spent the whole, the food, clothing, lodging, which the whole could have purchased, would have been distributed among the former sett of people. By saving a part of it, as that part is for the sake of the profit immediately employed as a capital either by himself or by some other person, the food, cloathing, and lodging, which may be purchased with it, are necessarily reserved for the latter. The consumption is the same, but the consumers are different.

By what a frugal man annually saves, he not only affords maintenance to an additional number of productive hands,

for that or the ensuing year, but, like the founder of a public workhouse, he establishes as it were a perpetual fund for the maintenance of an equal number in all times to come. The perpetual allotment and destination of this fund, indeed, is not always guarded by any positive law, by any trust-right or deed of mortmain. It is always guarded, however, by a very powerful principle, the plain and evident interest of every individual to whom any share of it shall ever belong. No part of it can ever afterwards be employed to maintain any but productive hands, without an evident loss to the person who thus perverts it from its proper destination.

The prodigal perverts it in this manner. By not confining his expense within his income, he encroaches upon his capital. Like him who perverts the revenues of some pious foundation to profane purposes, he pays the wages of idleness with those funds which the frugality of his forefathers had, as it were, consecrated to the maintenance of industry. By diminishing the funds destined for the employment of productive labour, he necessarily diminishes, so far as it depends upon him, the quantity of that labour which adds a value to the subject upon which it is bestowed, and consequently, the value of the annual produce of the land and labour of the whole country, the real wealth and revenue of its inhabitants. If the prodigality of some was not compensated by the frugality of others, the conduct of every prodigal, by feeding the idle with the bread of the industrious, tends not only to beggar himself, but to impoverish his country.

The effects of misconduct are often the same as those of prodigality. Every injudicious and unsuccessful project in

agriculture, mines, fisheries, trade, or manufactures, tends in the same manner to diminish the funds destined for the maintenance of productive labour. In every such project, though the capital is consumed by productive hands only, yet as, by the injudicious manner in which they are employed, they do not reproduce the full value of their consumption, there must always be some diminution in what would otherwise have been the productive funds of the society.

It can seldom happen, indeed, that the circumstances of a great nation can be much affected either by the prodigality or misconduct of individuals, the profusion or imprudence of some, being always more than compensated by the frugality and good conduct of others.

This frugality and good conduct of individuals, . is upon most occasions, . sufficient to compensate, not only the private prodigality and misconduct of individuals, but the public extravagance of government. The uniform, constant, and uninterrupted effort of every man to better his condition, the principle from which public and national, as well as private opulence is originally derived, is frequently powerful enough to maintain the natural progress of things toward improvement, in spite both of the extravagance of government, and of the greatest errors of administration. Like the unknown principle of animal life, it frequently restores health and vigour to the constitution, in spite, not only of the disease, but of the absurd prescriptions of the doctor. .

Though the profusion of government must, undoubtedly, have retarded the natural progress of England towards wealth and improvement, it has not been able to stop it.

The annual produce of its land and labour is, undoubtedly, much greater at present than it was either at the restoration or at the revolution. The capital, therefore, annually employed in cultivating this land, and in maintaining this labour, must likewise be much greater. In the midst of all the exactions of government, this capital has been silently and gradually accumulated by the private frugality and good conduct of individuals, by their universal, continual, and uninterrupted effort to better their own condition. It is this effort, protected by law and allowed by liberty to exert itself in the manner that is most advantageous, which has maintained the progress of England towards opulence and improvement in almost all former times, and which, it is to be hoped, will do so in all future times. England, however, as it has never been blessed with a very parsimonious government, so parsimony has at no time been the characteristical virtue of its inhabitants. It is the highest impertinence and presumption, therefore, in kings and ministers, to pretend to watch over the economy of private people, and to restrain their expense, either by sumptuary laws, or by prohibiting the importation of foreign luxuries. They are themselves always, and without any exception, the greatest spendthrifts in the society. Let them look well after their own expense, and they may safely trust private people with theirs. If their own regal extravagance does not ruin the state, that of their subjects never will. . . .

CHAPTER IV.

OF STOCK LENT AT INTEREST

THE stock which is lent at interest is always considered as a capital by the lender. He expects that in due time it is to be restored to him, and that in the meantime the borrower is to pay him a certain annual rent for the use of it. The borrower may use it either as a capital, or as a stock reserved for immediate consumption. If he uses it as a capital, he employs it in the maintenance of productive labourers, who reproduce the value with a profit. He can, in this case, both restore the capital and pay the interest without alienating or encroaching upon any source of revenue. If he uses it as a stock reserved for immediate consumption, he acts the part of a prodigal, and dissipates in the maintenance of the idle what was destined for the support of the industrious. He can, in this case, neither restore the capital nor pay the interest, without either alienating or encroaching upon some other source of revenue, such as the property or the rent of land.

The stock which is lent at interest is, no doubt, occasionally employed in both these ways, but in the former much more frequently than in the latter. The man who borrows in order to spend will soon be ruined, and he who lends to him will generally have occasion to repent of his folly. To borrow or to lend for such a purpose, therefore, is in all

cases, where gross usury is out of the question, contrary to the interest of both parties; and though it no doubt happens sometimes that people do both the one and the other, yet, from the regard that all men have for their own interest, we may be assured, that it cannot happen so very frequently as we are sometimes apt to imagine Ask any rich man of common prudence, to which of the two sorts of people he has lent the greater part of his stock, to those who, he thinks, will employ it profitably, or to those who will spend it idly, and he will laugh at you for proposing the question Even among borrowers, therefore, not the people in the world most famous for frugality, the number of the frugal and industrious surpasses considerably that of the prodigal and idle.

The only people to whom stock is commonly lent, without their being expected to make any very profitable use of it, are country gentlemen who borrow upon mortgage. Even they scarce ever borrow merely to spend. What they borrow, one may say, is commonly spent before they borrow it. They have generally consumed so great a quantity of goods, advanced to them upon credit by shopkeepers and tradesmen, that they find it necessary to borrow at interest in order to pay the debt. The capital borrowed replaces the capitals of those shopkeepers and tradesmen, which the country gentlemen could not have replaced from the rents of their estates It is not properly borrowed in order to be spent, but is borrowed in order to replace a capital which had been spent before

Almost all loans at interest are made in money, either of paper or of gold and silver But what the borrower really

wants, and what the lender really supplies him with, is not the money, but the money's worth, or the goods which it can purchase. . . .

The quantity of stock, therefore, or, as it is commonly expressed, of money which can be lent at interest in any country, is not regulated by the value of the money, whether paper or coin, which serves as the instruments of the different loans made in that country, but by the value of that part of the annual produce which, as soon as it comes either from the ground, or from the hands of the productive labourers, is destined not only for replacing a capital, but such a capital as the owner does not care to be at the trouble of employing himself. As such capitals are commonly lent out and paid back in money, they constitute what is called the monied interest. It is distinct, not only from the landed, but from the trading and manufacturing interests, as in these last the owners themselves employ their own capitals. Even in the monied interest, however, the money is, as it were, but the deed of assignment, which conveys from one hand to another those capitals which the owners do not care to employ themselves. Those capitals may be greater in almost any proportion than the amount of the money which serves as the instrument of their conveyance; the same pieces of money successively serving for many different loans, as well as for many different purchases. . . .

A capital lent at interest may, in this manner, be considered as an assignment from the lender to the borrower of a certain considerable portion of the annual produce; upon condition that the borrower in return shall, during the con-

tinuance of the loan, annually assign to the lender a smaller portion, called the interest, and at the end of it, a portion equally considerable with that which had originally been assigned to him, called the repayment. Though money, either coin or paper, serves generally as the deed of assignment both to the smaller, and to the more considerable portion, it is itself altogether different from what is assigned by it.

In proportion as that share of the annual produce which, as soon as it comes either from the ground, or from the hands of the productive labourers, is destined for replacing a capital, increases in any country, what is called the monied interest naturally increases with it. The increase of those particular capitals from which the owners wish to derive a revenue, without being at the trouble of employing them themselves, naturally accompanies the general increase of capitals, or, in other words, as stock increases, the quantity of stock to be lent at interest grows gradually greater and greater.

As the quantity of stock to be lent at interest increases, the interest, or the price which must be paid for the use of that stock, necessarily diminishes, not only from those general causes which make the market price of things commonly diminish as their quantity increases, but from other causes which are peculiar to this particular case. As capitals increase in any country, the profits which can be made by employing them necessarily diminish. It becomes gradually more and more difficult to find within the country a profitable method of employing any new capital. There arises in consequence a competition between different capitals, the owner of one endeavouring to get possession

of that employment which is occupied by another. But upon most occasions he can hope to justle that other out of this employment by no other means but by dealing upon more reasonable terms He must not only sell what he deals in somewhat cheaper, but in order to get it to sell, he must sometimes too buy it dearer The demand for productive labour, by the increase of the funds which are destined for maintaining it, grows every day greater and greater Labourers easily find employment, but the owners of capitals find it difficult to get labourers to employ Their competition raises the wages of labour, and sinks the profits of stock. But when the profits which can be made by the use of a capital are in this manner diminished, as it were, at both ends, the price which can be paid for the use of it, that is, the rate of interest, must necessarily be diminished with them

Mr. Locke, Mr. Law, and Mr. Montesquieu, as well as many other writers, seem to have imagined that the increase of the quantity of gold and silver, in consequence of the discovery of the Spanish West Indies, was the real cause of the lowering of the rate of interest through the greater part of Europe Those metals, they say, having become of less value themselves, the use of any particular portion of them necessarily became of less value too, and consequently the price which could be paid for it This notion, which at first sight seems so plausible, has been so fully exposed by Mr Hume, that it is, perhaps, unnecessary to say anything more about it The following very short and plain argument, however, may serve to explain more distinctly the fallacy which seems to have misled those gentlemen.

Before the discovery of the Spanish West Indies, ten per cent seems to have been the common rate of interest through the greater part of Europe. It has since that time in different countries sunk to six, five, four, and three per cent. Let us suppose that in every particular country the value of silver has sunk precisely in the same proportion as the rate of interest, and that in those countries, for example, where interest has been reduced from ten to five per cent., the same quantity of silver can now purchase just half the quantity of goods which it could have purchased before. This supposition will not, I believe, be found anywhere agreeable to the truth, but it is the most favourable to the opinion which we are going to examine, and even upon this supposition it is utterly impossible that the lowering of the value of silver could have the smallest tendency to lower the rate of interest. If a hundred pounds are in those countries now of more value than fifty pounds were then, ten pounds must now be of no more value than five pounds were then. Whatever were the causes which lowered the value of the capital, the same must necessarily have lowered that of the interest, and exactly in the same proportion. The proportion between the value of the capital and that of the interest, must have remained the same, though the rate had never been altered.

Any increase in the quantity of silver, while that of the commodities circulated by means of it remained the same, could have no other effect than to diminish the value of that metal. The nominal value of all sorts of goods would be greater, but their real value would be precisely the same as before. They would be exchanged for a greater number of

pieces of silver, but the quantity of labour which they could command, the number of people whom they could maintain and employ, would be precisely the same. The capital of the country would be the same, though a greater number of pieces might be requisite for conveying any equal portion of it from one hand to another. The deeds of assignment, like the conveyances of a verbose attorney, would be more cumbersome, but the thing assigned would be precisely the same as before, and could produce only the same effects. The funds for maintaining productive labour being the same, the demand for it would be the same. Its price or wages, therefore, though nominally greater, would really be the same. They would be paid in a greater number of pieces of silver, but they would purchase only the same quantity of goods. The profits of stock would be the same both nominally and really . . . Any increase in the quantity of commodities annually circulated within the country, while that of the money which circulated them remained the same, would, on the contrary, produce many other important effects, besides that of raising the value of the money. The capital of the country, though it might nominally be the same, would really be augmented. It might continue to be expressed by the same quantity of money, but it would command a greater quantity of labour. The quantity of productive labour which it could maintain and employ would be increased, and consequently the demand for that labour. Its wages would naturally rise with the demand, and yet might appear to sink. They might be paid with a smaller quantity of money, but that smaller quantity might purchase a greater quantity of

goods than a greater had done before. The profits of stock would be diminished both really and in appearance. The whole capital of the country being augmented, the competition between the different capitals of which it was composed would naturally be augmented along with it .

The ordinary market price of land, it is to be observed, depends everywhere upon the ordinary market rate of interest. The person who has a capital from which he wishes to derive a revenue, without taking the trouble to employ it himself, deliberates whether he should buy land with it, or lend it out at interest The superior security of land, together with some other advantages which almost everywhere attend upon this species of property, will generally dispose him to content himself with a smaller revenue from land, than what he might have by lending out his money at interest. These advantages are sufficient to compensate a certain difference of revenue, but they will compensate a certain difference only, and if the rent of land should fall short of the interest of money by a greater difference, nobody would buy land, which would soon reduce its ordinary price On the contrary, if the advantages should much more than compensate the difference, everybody would buy land, which again would soon raise its ordinary price When interest was at ten per cent, land was commonly sold for ten and twelve years' purchase. As interest sunk to six, five, and four per cent., the price of land rose to twenty, five-and-twenty, and thirty years' purchase. The market rate of interest is higher in France than in England; and the common price of land is lower In England it commonly sells at thirty, in France at twenty years' purchase.

CHAPTER V.

OF THE DIFFERENT EMPLOYMENT OF CAPITALS.

THOUGH all capitals are destined for the maintenance of productive labour only, yet the quantity of that labour which equal capitals are capable of putting into motion, varies extremely according to the diversity of their employment, as does likewise the value which that employment adds to the annual produce of the land and labour of the country

A capital may be employed in four different ways either, first, in procuring the rude produce annually required for the use and consumption of the society; or, secondly, in manufacturing and preparing that rude produce for immediate use and consumption, or, thirdly, in transporting either the rude or manufactured produce from the places where they abound to those where they are wanted, or, lastly, in dividing particular portions of either into such small parcels as suit the occasional demands of those who want them. In the first way are employed the capitals of all those who undertake the improvement or cultivation of lands, mines, or fisheries, in the second, those of all master manufacturers, in the third, those of all wholesale merchants; and in the fourth, those of all retailers. It is difficult to conceive that a

capital should be employed in any way which may not be classed under some one or other of those four

Each of those four methods of employing a capital is essentially necessary either to the existence or extension of the other three, or to the general conveniency of the society

Unless a capital was employed in furnishing rude produce to a certain degree of abundance, neither manufactures nor trade of any kind could exist

Unless a capital was employed in manufacturing that part of the rude produce which requires a good deal of preparation before it can be fit for use and consumption, it either would never be produced, because there could be no demand for it, or if it was produced spontaneously, it would be of no value in exchange, and could add nothing to the wealth of the society.

Unless a capital was employed in transporting, either the rude or manufactured produce, from the places where it abounds to those where it is wanted, no more of either could be produced than was necessary for the consumption of the neighbourhood. The capital of the merchant exchanges the surplus produce of one place for that of another, and thus encourages the industry and increases the enjoyments of both.

Unless a capital was employed in breaking and dividing certain portions either of the rude or manufactured produce, into such small parcels as suit the occasional demands of those who want them, every man would be obliged to purchase a greater quantity of the goods he wanted, than his immediate occasions required. If there was no such

trade as a butcher, for example, every man would be obliged to purchase a whole ox or a whole sheep at a time. This would generally be inconvenient to the rich, and much more so to the poor. If a poor workman was obliged to purchase a month's or six months' provisions at a time, a great part of the stock which he employs as a capital in the instruments of his trade, or in the furniture of his shop, and which yields him a revenue, he would be forced to place in that part of his stock which is reserved for immediate consumption, and which yields him no revenue. . . . The prejudices of some political writers against shopkeepers and tradesmen are altogether without foundation. So far is it from being necessary, either to tax them, or to restrict their numbers, that they can never be multiplied so as to hurt the public, though they may so as to hurt one another. The quantity of grocery goods, for example, which can be sold in a particular town, is limited by the demand of that town and its neighbourhood. The capital, therefore, which can be employed in the grocery trade, cannot exceed what is sufficient to purchase that quantity. If this capital is divided between two different grocers, their competition will tend to make both of them sell cheaper, than if it were in the hands of one only, and if it were divided among twenty, their competition would be just so much the greater, and the chance of their combining together, in order to raise the price, just so much the less. Their competition might perhaps ruin some of themselves, but to take care of this is the business of the parties concerned, and it may safely be trusted to their discretion. It can never hurt either the consumer or the

producer, on the contrary, it must tend to make the retailers both sell cheaper and buy dearer, than if the whole trade was monopolized by one or two persons. . . .

The persons whose capitals are employed in any of those four ways are themselves productive labourers. Their labour, when properly directed, fixes and realizes itself in the subject or vendible commodity upon which it is bestowed, and generally adds to its price the value at least of their own maintenance and consumption. The profits of the farmer, of the manufacturer, of the merchant, and retailer, are all drawn from the price of the goods which the two first produce, and the two last buy and sell. Equal capitals, however, employed in each of those four different ways, will immediately put into motion very different quantities of productive labour, and augment, too, in very different proportions the value of the annual produce of the land and labour of the society to which they belong.

The capital of the retailer replaces, together with its profits, that of the merchant of whom he purchases goods, and thereby enables him to continue his business. The retailer himself is the only productive labourer whom it immediately employs. In his profits consists the whole value which its employment adds to the annual produce of the land and labour of the society.

The capital of the wholesale merchant replaces, together with their profits, the capitals of the farmers and manufacturers of whom he purchases the rude and manufactured produce which he deals in, and thereby enables them to continue their respective trades. It is by this service chiefly that he contributes indirectly to support the produc-

tive labour of the society, and to increase the value of its annual produce. His capital employs, too, the sailors and carriers who transport his goods from one place to another, and it augments the price of those goods by the value, not only of his profits, but of their wages. This is all the productive labour which it immediately puts into motion, and all the value which it immediately adds to the annual produce. Its operation in both these respects is a good deal superior to that of the capital of the retailer.

Part of the capital of the master manufacturer is employed as a fixed capital in the instruments of his trade, and replaces, together with its profits, that of some other artificer of whom he purchases them. Part of his circulating capital is employed in purchasing materials, and replaces, with their profits, the capitals of the farmers and miners of whom he purchases them. But a great part of it is always, either annually, or in a much shorter period, distributed among the different workmen whom he employs. It augments the value of those materials by their wages, and by their masters' profits upon the whole stock of wages, materials, and instruments of trade employed in the business. It puts immediately into motion, therefore, a much greater quantity of productive labour, and adds a much greater value to the annual produce of the land and labour of the society, than an equal capital in the hands of any wholesale merchant.

No equal capital puts into motion a greater quantity of productive labour than that of the farmer. Not only his labouring servants, but his labouring cattle, are productive labourers. In agriculture, too, nature labours along

with man, and though her labour costs no expense, its produce has its value, as well as that of the most expensive workmen. The most important operations of agriculture seem intended, not so much to increase, though they do that too, as to direct the fertility of nature towards the production of the plants most profitable to man. A field overgrown with briars and brambles may frequently produce as great a quantity of vegetables as the best cultivated vineyard or cornfield. Planting and tillage frequently regulate more than they animate the active fertility of nature, and after all their labour, a great part of the work always remains to be done by her. The labourers and labouring cattle, therefore, employed in agriculture, not only occasion, like the workmen in manufactures, the reproduction of a value equal to their own consumption, or to the capital which employs them, together with its owner's profits, but of a much greater value. Over and above the capital of the farmer and all its profits, they regularly occasion the reproduction of the rent of the landlord. This rent may be considered as the produce of those powers of nature, the use of which the landlord lends to the farmer. It is greater or smaller according to the supposed extent of those powers, or in other words, according to the supposed natural or improved fertility of the land. It is the work of nature which remains after deducting or compensating everything which can be regarded as the work of man. It is seldom less than a fourth, and frequently more than a third of the whole produce. No equal quantity of productive labour employed in manufactures can ever occasion so great a reproduction. In them nature does nothing.

ing, man does all, and the reproduction must always be in proportion to the strength of the agents that occasion it. The capital employed in agriculture, therefore, not only puts into motion a greater quantity of productive labour than any equal capital employed in manufactures, but in proportion, too, to the quantity of productive labour which it employs, it adds a much greater value to the annual produce of the land and labour of the country, to the real wealth and revenue of its inhabitants. Of all the ways in which a capital can be employed, it is by far the most advantageous to the society. . . .

It is thus that the same capital will in any country put into motion a greater or smaller quantity of productive labour, and add a greater or smaller value to the annual produce of its land and labour, according to the different proportions in which it is employed in agriculture, manufactures, and wholesale trade. The difference, too, is very great, according to the different sorts of wholesale trade in which any part of it is employed.

All wholesale trade, all buying in order to sell again by wholesale, may be reduced to three different sorts. The home trade, the foreign trade of consumption, and the carrying trade . . .

The capital which is employed in purchasing in one part of the country in order to sell in another the produce of the industry of that country, generally replaces by every such operation two distinct capitals that had both been employed in the agriculture or manufactures of that country, and thereby enables them to continue that employment.

The capital employed in purchasing foreign goods for

home consumption, when this purchase is made with the produce of domestic industry, replaces too, by every such operation, two distinct capitals but one of them only is employed in supporting domestic industry . . . Though the returns, therefore, of the foreign trade of consumption should be as quick as those of the home trade, the capital employed in it will give but one-half the encouragement to the industry or productive labour of the country. But the returns of the foreign trade of consumption are very seldom so quick as those of the home trade . . A capital employed in the home trade will sometimes make twelve operations, or be sent out and returned twelve times, before a capital employed in the foreign trade of consumption has made one If the capitals are equal, therefore, the one will give four and twenty times more encouragement and support to the industry of the country than the other

The foreign goods for home consumption may sometimes be purchased, not with the produce of domestic industry, but with some other foreign goods These last, however, must have been purchased, either immediately with the produce of domestic industry, or with something else that had been purchased with it. . The effects, therefore, of a capital employed in such a round-about foreign trade of consumption are, in every respect, the same as those of one employed in the most direct trade of the same kind, except that the final returns are likely to be still more distant, as they must depend upon the returns of two or three distinct foreign trades

That part of the capital of any country which is employed in the carrying trade, is altogether withdrawn from support-

ing the productive labour of that particular country, to support that of some foreign countries Though it may replace by every operation two distinct capitals, yet neither of them belongs to that particular country . The profits only return regularly. . . , and constitute the whole addition which this trade necessarily makes to the annual produce of the land and labour of (the *Ed*) country When, indeed, the carrying trade of any particular country is carried on with the ships and sailors of that country, that part of the capital employed in it which pays the freight, is distributed among, and puts into motion, a certain number of productive labourers of that country. . .

BOOK
OF THE DIFFERENT PROGRESS OF OPULENCE IN DIFFERENT NATIONS

CHAPTER I.

OF THE NATURAL PROGRESS OF OPULENCE

THE great commerce of every civilized society is that carried on between the inhabitants of the town and those of the country. It consists in the exchange of rude for manufactured produce, either immediately, or by the intervention of money, or of some sort of paper which represents money. The country supplies the town with the means of subsistence, and the materials of manufacture. The town repays this supply by sending back a part of the manufactured produce to the inhabitants of the country. The town, in which there neither is nor can be any reproduction of substances, may very properly be said to gain its whole wealth and subsistence from the country. We must not, however, upon this account, imagine that the gain of the town is the loss of the country. The gains of both are mutual and reciprocal, and the division of labour is in this, as in all other cases, advantageous to all the different persons employed in the various occupations into

which it is subdivided. The inhabitants of the country purchase of the town a greater quantity of manufactured goods, with the produce of a much smaller quantity of their own labour, than they must have employed had they attempted to prepare them themselves. The town affords a market for the surplus produce of the country, or what is over and above the maintenance of the cultivators, and it is there that the inhabitants of the country exchange it for something else which is in demand among them. The greater the number and revenue of the inhabitants of the town, the more extensive is the market which it affords to those of the country, and the more extensive that market, it is always the more advantageous to a great number. The corn which grows within a mile of the town, sells there for the same price with that which comes from twenty miles distance. But the price of the latter must generally, not only pay the expense of raising and bringing it to market, but afford too the ordinary profits of agriculture to the farmer. The proprietors and cultivators of the country, therefore, which lies in the neighbourhood of the town, over and above the ordinary profits of agriculture, gain, in the price of what they sell, the whole value of the carriage of the like produce that is brought from more distant parts, and they save, besides, the whole value of this carriage in the price of what they buy. Compare the cultivation of the lands in the neighbourhood of any considerable town, with that of those which lie at some distance from it, and you will easily satisfy yourself how much the country is benefited by the commerce of the town . . .

As subsistence is, in the nature of things, prior to con-

veniency and luxury, so the industry which procures the former, must necessarily be prior to that which ministers to the latter. The cultivation and improvement of the country, therefore, which affords subsistence, must, necessarily, be prior to the increase of the town, which furnishes only the means of convenience and luxury. It is the surplus produce of the country only, or what is over and above the maintenance of the cultivators, that constitutes the subsistence of the town, which can therefore increase only with the increase of this surplus produce. The town indeed, may not always derive its whole subsistence from the country in its neighbourhood, or even from the territory to which it belongs, but from very distant countries, and this, though it forms no exception from the general rule, has occasioned considerable variations in the progress of opulence in different ages and nations.

That order of things which necessity imposes in general, though not in every particular country, is, in every particular country, promoted by the natural inclinations of man. If human institutions had never thwarted those natural inclinations, the towns could nowhere have increased beyond what the improvement and cultivation of the territory in which they were situated could support, till such time at least as the whole of that territory was completely cultivated and improved. Upon equal, or nearly equal profits, most men will choose to employ their capitals rather in the improvement and cultivation of land, than either in manufactures or in foreign trade. The man who employs his capital in land, has it more under his view and command, and his fortune is much less liable to

accidents than that of the trader, who is obliged frequently to commit it, not only to the winds and the waves, but to the more uncertain elements of folly and injustice, by giving great credits in distant countries to men with whose character and situation he can seldom be thoroughly acquainted. The capital of the landlord, on the contrary, which is fixed in the improvement of his land, seems to be as well secured as the nature of human affairs can admit of. . . .

Without the assistance of some artificers, indeed, the cultivation of land cannot be carried on but with great inconveniency and continual interruption. Smiths, carpenters, wheelwrights, and ploughwrights, masons and bricklayers, tanners, shoemakers and taylors, are people whose service the farmer has frequent occasion for. Such artificers, too, stand occasionally in need of the assistance of one another, and as their residence is not, like that of the farmer, necessarily tied down to a precise spot, they naturally settle in the neighbourhood of one another, and thus form a small town or village. The butcher, the brewer, and the baker soon join them, together with many other artificers and retailers, necessary or useful for supplying their occasional wants, and who contribute still further to augment the town. The inhabitants of the town and those of the country are, mutually, the servants of one another. The town is a continual fair or market, to which the inhabitants of the country resort, in order to exchange their rude for manufactured produce. It is this commerce which supplies the inhabitants of the town both with the materials of their work, and the means of their subsistence.

The quantity of the finished work which they sell to the inhabitants of the country, necessarily regulates the quantity of their materials and provisions which they buy. Neither their employment nor subsistence, therefore, can augment, but in proportion to the augmentation of the demand from the country for finished work, and this demand can augment only in proportion to the extension of improvement and cultivation. Had human institutions, therefore, never disturbed the natural course of things, the progressive wealth and increase of the towns would, in every political society, be consequential, and in proportion to the improvement and cultivation of the territory or of the country.

In our North American colonies, where uncultivated land is still to be had upon easy terms, no manufactures for distant sale have ever yet been established in any of their towns. When an artificer has acquired a little more stock than is necessary for carrying on his own business in supplying the neighbouring country, he does not, in North America, attempt to establish with it a manufacture for more distant sale, but employs it in the purchase and improvement of uncultivated land. From artificer he becomes planter, and neither the large wages nor the easy subsistence which that country affords to artificers, can bribe him rather to work for other people than for himself. He feels that an artificer is the servant of his customers, from whom he derives his subsistence; but that a planter who cultivates his own land, and derives his necessary subsistence from the labour of his own family, is really a master, and independent of all the world.

In countries, on the contrary, where there is either no uncultivated land, or none that can be had upon easy terms, every artificer who has acquired more stock than he can employ in the occasional jobs of the neighbourhood, endeavours to prepare work for more distant sale. The smith erects some sort of iron, the weaver some sort of linen or woollen manufactory. Those different manufactures come, in process of time, to be gradually subdivided, and thereby improved and refined in a great variety of ways. . . .

In seeking for employment to a capital, manufactures are, upon equal, or nearly equal profits, naturally preferred to foreign commerce, for the same reason that agriculture is naturally preferred to manufactures. As the capital of the landlord or farmer is more secure than that of the manufacturer, so the capital of the manufacturer, being at all times more within his view and command, is more secure than that of the foreign merchant. In every period, indeed, of every society, the surplus part both of the rude and manufactured produce, or that for which there is no demand at home, must be sent abroad, in order to be exchanged for something for which there is some demand at home. But whether the capital, which carries this surplus produce abroad, be a foreign or a domestic one, is of very little importance. If the society has not acquired sufficient capital both to cultivate all its lands, and to manufacture, in the completest manner, the whole of its rude produce, there is even a considerable advantage that that rude produce should be exported by a foreign capital, in order that the whole stock of the society may be employed.

in more useful purposes The progress of our North American and West Indian colonies would have been much less rapid, had no capital but what belonged to themselves been employed in exporting their surplus produce.

According to the natural course of things, therefore, the greater part of the capital of every growing society is, first, directed to agriculture, afterwards to manufactures, and last of all to foreign commerce. This order of things is so very natural, that in every society that had any territory, it has always, I believe, been in some degree, observed. Some of their lands must have been cultivated before any considerable towns could be established, and some sort of coarse industry of the manufacturing kind must have been carried on in those towns, before they could well think of employing themselves in foreign commerce.

But though this natural order of things must have taken place in some degree in every such society, it has, in all the modern states of Europe, been, in many respects, entirely inverted. The foreign commerce of some of their cities has introduced all their finer manufactures, or such as were fit for distant sale, and manufactures and foreign commerce together, have given birth to the principal improvements of agriculture. The manners and customs which the nature of their original government introduced, and which remained after that government was greatly altered, necessarily forced them into this unnatural and retrograde order.

BOOK IV.

OF SYSTEMS OF POLITICAL OECONOMY.

INTRODUCTION.

POLITICAL œconomy, considered as a branch of the science of a statesman or legislator, proposes two distinct objects. first, to provide a plentiful revenue or subsistence for the people, or, more properly, to enable them to provide such a revenue or subsistence for themselves, and secondly, to supply the state or commonwealth with a revenue sufficient for the public services It proposes to enrich both the people and the sovereign.

The different progress of opulence in different ages and nations, has given occasion to two different systems of political œconomy, with regard to enriching the people. The one may be called the system of commerce, the other that of agriculture.

CHAPTER I

OF THE PRINCIPLE OF THE COMMERCIAL OR MERCANTILE SYSTEM

THAT wealth consists in money, or in gold and silver, is a popular notion which naturally arises from the double function of money, as the instrument of commerce, and as the measure of value. In consequence of its being the instrument of commerce, when we have money we can more readily obtain whatever else we have occasion for, than by means of any other commodity. The great affair, we always find, is to get money. When that is obtained, there is no difficulty in making any subsequent purchase. In consequence of its being the measure of value, we estimate that of all other commodities by the quantity of money which they will exchange for. We say of a rich man that he is worth a great deal, and of a poor man that he is worth very little money. . To grow rich is to get money, and wealth and money, in short, are in common language, considered as in every respect synonymous.

A rich country, in the same manner as a rich man, is supposed to be a country abounding in money, and to heap up gold and silver in any country is supposed to be the readiest way to enrich it. For some time after the discovery of America, the first inquiry of the Spaniards, when they arrived upon any unknown coast, used to be, if there was any gold or silver to be found in the neighborhood? By

the information which they received, they judged whether it was worth while to make a settlement there, or if the country was worth the conquering. Plano Carpino, a monk, sent ambassador from the king of France to one of the sons of the famous Gengis Khan, says that the Tartars used frequently to ask him, if there was plenty of sheep and oxen in the kingdom of France. Their inquiry had the same object with that of the Spaniards. They wanted to know if the country was rich enough to be worth the conquering. Among the Tartars, as among all other nations of shepherds, who are generally ignorant of the use of money, cattle are the instruments of commerce and the measures of value. Wealth, therefore, according to them, consisted in cattle, as according to the Spaniards it consisted in gold and silver. Of the two, the Tartar notion, perhaps, was the nearest to the truth.

Mr. Locke remarks a distinction between money and other movable goods. All other movable goods, he says, are of so consumable a nature, that the wealth which consists in them cannot be much depended on, and a nation which abounds in them one year may, without any exportation, but merely by their own waste and extravagance, be in great want of them the next. Money, on the contrary, is a steady friend, which, though it may travel about from hand to hand, yet if it can be kept from going out of the country, is not very liable to be wasted and consumed. Gold and silver, therefore, are, according to him, the most solid and substantial part of the movable wealth of a nation, and to multiply those metals ought, he thinks, upon that account, to be the great object of its political oeconomy.

Others admit, that if a nation could be separated from all

the world, it would be of no consequence how much or how little money circulated in it. The consumable goods which were circulated by means of this money, would only be exchanged for a greater or a smaller number of pieces, but the real wealth or poverty of the country, they allow, would depend altogether upon the abundance or scarcity of those consumable goods. But it is otherwise, they think, with countries which have connections with foreign nations, and which are obliged to carry on foreign wars, and to maintain fleets and armies in distant countries. This, they say, cannot be done, but by sending abroad money to pay them with, and a nation cannot send much money abroad, unless it has a good deal at home. Every such nation, therefore, must endeavour in time of peace to accumulate gold and silver, that, when occasion requires, it may have wherewithal to carry on foreign wars.

In consequence of these popular notions, all the different nations of Europe have studied, though to little purpose, every possible means of accumulating gold and silver in their respective countries. Spain and Portugal, the proprietors of the principal mines which supply Europe with those metals, have either prohibited their exportation under the severest penalties, or subjected it to a considerable duty. The like prohibition seems anciently to have made a part of the policy of most other European nations. It is even to be found, where we should least of all expect to find it, in some old Scotch acts of parliament, which forbid, under heavy penalties, the carrying gold or silver *forth of the kingdom*. The like policy anciently took place in the kingdoms of France and England.

When those countries became commercial, the merchants found this prohibition, upon many occasions, extremely inconvenient. They could frequently buy more advantageously with gold and silver than with any other commodity, the foreign goods which they wanted, either to import into their own, or to carry to some other foreign country. They remonstrated, therefore, against this prohibition as hurtful to trade.

They represented, first, that the exportation of gold and silver in order to purchase foreign goods, did not always diminish the quantity of those metals in the kingdom. That, on the contrary, it might frequently increase that quantity, because, if the consumption of foreign goods was not thereby increased in the country, those goods might be re-exported to foreign countries, and, being there sold for a large profit, might bring back much more treasure than was originally sent out to purchase them. Mr. Mun compares this operation of foreign trade to the seedtime and harvest of agriculture. "If we only behold," says he, "the actions of the husbandman in the seedtime, when he casteth away much good corn into the ground, we shall account him rather a madman than a husbandman. But when we consider his labours in harvest, which is the end of his endeavours, we shall find the worth and plentiful increase of his actions."

They represented, secondly, that this prohibition could not hinder the exportation of gold and silver, which, on account of the smallness of their bulk in proportion to their value, could easily be smuggled abroad. That this exportation could only be prevented by a proper attention to,

what they called, the balance of trade. That when the country exported to a greater value than it imported, a balance became due to it from foreign nations, which was necessarily paid to it in gold and silver, and thereby increased the quantity of those metals in the kingdom. But that when it imported to a greater value than it exported, a contrary balance became due to the foreign nations, which was necessarily paid to them in the same manner, and thereby diminished that quantity.

Those arguments were partly solid and partly sophistical. They were solid so far as they asserted that the exportation of gold and silver in trade might frequently be advantageous to the country. They were solid too, in asserting that no prohibition could prevent their exportation, when private people found any advantage in exporting them. But they were sophistical in supposing, that either to preserve or to augment the quantity of those metals required more the attention of government, than to preserve or to augment the quantity of any other useful commodities, which the freedom of trade, without any such attention, never fails to supply in the proper quantity.

Such as they were, however, those arguments convinced the people to whom they were addressed. They were addressed by merchants to parliaments, and to the councils of princes, to nobles, and to country gentlemen, by those who were supposed to understand trade, to those who were conscious to themselves that they knew nothing about the matter. That foreign trade enriched the country, experience demonstrated to the nobles and country gentlemen, as well as to the merchants, but how, or in what manner,

none of them well knew. The merchants knew perfectly in what manner it enriched themselves It was their business to know it But to know in what manner it enriched the country, was no part of their business. This subject never came into their consideration, but when they had occasion to apply to their country for some change in the laws relating to foreign trade It then became necessary to say something about the beneficial effects of foreign trade, and the manner in which those effects were obstructed by the laws as they then stood To the judges who were to decide the business, it appeared a most satisfactory account of the matter, when they were told that foreign trade brought money into the country, but that the laws in question hindered it from bringing so much as it otherwise would do Those arguments therefore produced the wished-for effect The prohibition of exporting gold and silver was in France and England confined to the coin of those respective countries. The exportation of foreign coin and of bullion was made free In Holland, and in some other places, this liberty was extended even to the coin of the country. The attention of government was turned away from guarding against the exportation of gold and silver, to watch over the balance of trade, as the only cause which could occasion any augmentation or diminution of those metals. From one fruitless care it was turned away to another care much more intricate, much more embarrassing, and just equally fruitless The title of Mun's book, England's Treasure in Foreign Trade, became a fundamental maxim in the political œconomy, not of England only, but of all other commercial countries The inland or home

trade, the most important of all, the trade in which an equal capital affords the greatest revenue, and creates the greatest employment to the people of the country, was considered as subsidiary only to foreign trade. It neither brought money into the country, it was said, nor carried any out of it. The country therefore could never become either richer or poorer by means of it, except so far as its prosperity or decay might indirectly influence the state of foreign trade.

A country that has no mines of its own must undoubtedly draw its gold and silver from foreign countries, in the same manner as one that has no vineyards of its own must draw its wines. It does not seem necessary, however, that the attention of government should be more turned towards the one than towards the other object. A country that has wherewithal to buy wine, will always get the wine which it has occasion for, and a country that has wherewithal to buy gold and silver, will never be in want of those metals. They are to be bought for a certain price like all other commodities, and as they are the price of all other commodities, so all other commodities are the price of those metals. We trust with perfect security that the freedom of trade, without any attention of government, will always supply us with the wine which we have occasion for, and we may trust with equal security that it will always supply us with all the gold and silver which we can afford to purchase or to employ, either in circulating our commodities, or in other uses.

The quantity of every commodity which human industry¹¹ can either purchase or produce, naturally regulates itself in every country according to the effectual demand, or accord-

ing to the demand of those who are willing to pay the whole rent, labour, and profits which must be paid in order to prepare and bring it to market. But no commodities regulate themselves more easily or more exactly according to this effectual demand than gold and silver; because, on account of the small bulk and great value of those metals, no commodities can be more easily transported from one place to another, from the places where they are cheap, to those where they are dear, from the places where they exceed, to those where they fall short, of this effectual demand. . . .

When the quantity of gold and silver imported into any country exceeds the effectual demand, no vigilance of government can prevent their exportation. All the sanguinary laws of Spain and Portugal are not able to keep their gold and silver at home. The continual importations from Peru and Brazil exceed the effectual demand of those countries, and sink the price of those metals there below that in the neighbouring countries. If, on the contrary, in any particular country their quantity fell short of the effectual demand, so as to raise their price above that of the neighbouring countries, the government would have no occasion to take any pains to import them. If it were even to take pains to prevent their importation, it would not be able to effectuate it. . . . All the sanguinary laws of the customs are not able to prevent the importation of the teas of the Dutch and Gottenburg East India companies, because somewhat cheaper than those of the British company. A pound of tea, however, is about a hundred times the bulk of one of the highest prices, sixteen shillings, that is commonly paid for it in silver, and more than two thousand times the bulk of the same

price in gold, and consequently just so many times more difficult to smuggle.

It is partly owing to the easy transportation of gold and silver from the places where they abound to those where they are wanted, that the price of those metals does not fluctuate continually like that of the greater part of other commodities, which are hindered by their bulk from shifting their situation, when the market happens to be either over or understocked with them. The price of those metals, indeed, is not altogether exempted from variation, but the changes to which it is liable are generally slow, gradual, and uniform. In Europe, for example, it is supposed, without much foundation perhaps, that during the course of the present and preceding century, they have been constantly, but gradually, sinking in their value, on account of the continual importations from the Spanish West Indies. But to make any sudden change in the price of gold and silver, so as to raise or lower at once, sensibly and remarkably, the money price of all other commodities, requires such a revolution in commerce as that occasioned by the discovery of America.

If, notwithstanding all this, gold and silver should at any time fall short in a country which has wherewithal to purchase them, there are more expedients for supplying their place than that of almost any other commodity. If the materials of manufacture are wanted, industry must stop. If provisions are wanted, the people must starve. But if money is wanted, barter will supply its place, though with a good deal of inconvenience. Buying and selling upon credit, and the different dealers compensating their credits

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with one another, once a month or once a year, will supply it with less inconveniency. A well-regulated paper money will supply it, not only without any inconveniency, but, in some cases, with some advantages Upon every account, therefore, the attention of government never was so unnecessarily employed, as when directed to watch over the preservation or increase of the quantity of money in any country.

No complaint, however, is more common than that of a scarcity of money. Money, like wine, must always be scarce with those who have neither wherewithal to buy it, nor credit to borrow it Those who have either, will seldom be in want either of the money or of the wine which they have occasion for. This complaint, however, of the scarcity of money, is not always confined to improvident spendthrifts. It is sometimes general through a whole mercantile town, and the country in its neighbourhood. Over-trading is the common cause of it. Sober men, whose projects have been disproportioned to their capitals, are as likely to have neither wherewithal to buy money, nor credit to borrow it, as prodigals whose expense has been disproportioned to their revenue Before their projects can be brought to bear, their stock is gone, and their credit with it They run about everywhere to borrow money, and everybody tells them that they have none to lend. Even such general complaints of the scarcity of money do not always prove that the usual number of gold and silver pieces are not circulating in the country, but that many people want those pieces who have nothing to give for them When the profits of trade happen to be greater than ordinary, over-trading becomes a general error both among great and small dealers. They do not

always send more money abroad than usual, but they buy upon credit, both at home and abroad, an unusual quantity of goods, which they send to some distant market, in hopes that the returns will come in before the demand for payment. The demand comes before the returns, and they have nothing at hand with which they can either purchase money or give solid security for borrowing.

It would be too ridiculous to go about seriously to prove that wealth does not consist in money, or in gold and silver, but in what money purchases, and is valuable only for purchasing. Money, no doubt, makes always a part of the national capital, but it has already been shown that it generally makes but a small part, and always the most unprofitable part of it.

It is not because wealth consists more essentially in money than in goods, that the merchant finds it generally more easy to buy goods with money, than to buy money with goods; but because money is the known and established instrument of commerce, for which everything is readily given in exchange, but which is not always with equal readiness to be got in exchange for everything. The greater part of goods, besides, are more perishable than money, and he may frequently sustain a much greater loss by keeping them. When his goods are upon hand, too, he is more liable to such demands for money as he may not be able to answer, than when he has got their price in his coffers. Over and above all this, his profit arises more directly from selling than from buying, and he is upon all these accounts generally much more anxious to exchange his goods for money, than his money for goods. But though

a particular merchant, with abundance of goods in his warehouse, may sometimes be ruined by not being able to sell them in time, a nation or country is not liable to the same accident. The whole capital of a merchant frequently consists in perishable goods destined for purchasing money. But it is but a very small part of the annual produce of the land and labour of a country which can ever be destined for purchasing gold and silver from their neighbours. The far greater part is circulated and consumed among themselves, and even of the surplus which is sent abroad, the greater part is generally destined for the purchase of other foreign goods. Though gold and silver, therefore, could not be had in exchange for the goods destined to purchase them, the nation would not be ruined. It might, indeed, suffer some loss and inconvenience, and be forced upon some of those expedients which are necessary for supplying the place of money. The annual produce of its land and labour, however, would be the same, or very nearly the same, as usual, because the same, or very nearly the same, consumable capital would be employed in maintaining it. And though goods do not always draw money so readily as money draws goods, in the long run they draw it more necessarily than even it draws them. Goods can serve many other purposes besides purchasing money, but money can serve no other purpose besides purchasing goods. Money, therefore, necessarily runs after goods, but goods do not always or necessarily run after money. The man who buys, does not always mean to sell again, but frequently to use or to consume; whereas he who sells, always means to buy again. The one may frequently have done the whole, but the other can

never have done more than the one-half of his business. It is not for its own sake that men desire money, but for the sake of what they can purchase with it

Consumable commodities, it is said, are soon destroyed, whereas gold and silver are of a more durable nature, and, were it not for this continual exportation, might be accumulated for ages together, to the incredible augmentation of the real wealth of the country Nothing, therefore, it is pretended, can be more disadvantageous to any country than the trade which consists in the exchange of such lasting for such perishable commodities We do not, however, reckon that trade disadvantageous which consists in the exchange of the hardware of England for the wines of France, and yet hardware is a very durable commodity, and, were it not for this continual exportation, might, too, be accumulated for ages together, to the incredible augmentation of the pots and pans of the country. But it readily occurs that the number of such utensils is in every country necessarily limited by the use which there is for them, that it would be absurd to have more pots and pans than were necessary for cooking the victuals usually consumed there, and that if the quantity of victuals were to increase, the number of pots and pans would readily increase along with it, a part of the increased quantity of victuals being employed in purchasing them, or in maintaining an additional number of workmen whose business it was to make them It should as readily occur that the quantity of gold and silver is in every country limited by the use which there is for those metals, that their use consists in circulating commodities as coin, and in affording a species of household furniture as plate; that the

quantity of coin in every country is regulated by the value of the commodities which are to be circulated by it increase that value, and immediately a part of it will be sent abroad to purchase, wherever it is to be had, the additional quantity of coin requisite for circulating them that the quantity of plate is regulated by the number and wealth of those private families who choose to indulge themselves in that sort of magnificence increase the number and wealth of such families, and a part of this increased wealth will most probably be employed in purchasing, wherever it is to be found, an additional quantity of plate that to attempt to increase the wealth of any country, either by introducing or by detaining in it an unnecessary quantity of gold and silver, is as absurd as it would be to attempt to increase the good cheer of private families, by obliging them to keep an unnecessary number of kitchen utensils. As the expense of purchasing those unnecessary utensils would diminish instead of increasing either the quantity or goodness of the family provisions, so the expense of purchasing an unnecessary quantity of gold and silver must, in every country, as necessarily diminish the wealth which feeds, cloaths, and lodges, which maintains and employs the people. Gold and silver, whether in the shape of coin or of plate, are utensils, it must be remembered, as much as the furniture of the kitchen. Increase the use for them, increase the consumable commodities which are to be circulated, managed, and prepared by means of them, and you will infallibly increase the quantity, but if you attempt, by extraordinary means, to increase the quantity, you will as infallibly diminish the use and even the quantity too, which in those metals can never

be greater than what the use requires. Were they ever to be accumulated beyond this quantity, their transportation is so easy, and the loss which attends their lying idle and unemployed so great, that no law could prevent their being immediately sent out of the country.

It is not always necessary to accumulate gold and silver, in order to enable a country to carry on foreign wars, and to maintain fleets and armies in distant countries. Fleets and armies are maintained, not with gold and silver, but with consumable goods. The nation which, from the annual produce of its domestic industry, from the annual revenue arising out of its lands, labour, and consumable stock, has wherewithal to purchase those consumable goods in distant countries, can maintain foreign wars there.

A nation may purchase the pay and provisions of an army in a distant country three different ways, by sending abroad either, first, some part of its accumulated gold and silver, or secondly, some part of the annual produce of its manufactures, or last of all, some part of its annual rude produce.

The gold and silver which can properly be considered as accumulated or stored up in any country, may be distinguished into three parts, first, the circulating money, secondly, the plate of private families, and last of all, the money which may have been collected by many years' parsimony, and laid up in the treasury of the prince.

It can seldom happen that much can be spared from the circulating money of the country, because in that there can seldom be much redundancy. The value of goods annually bought and sold in any country requires a certain quantity of money to circulate and distribute them to their proper

consumers, and can give employment to no more. The channel of circulation necessarily draws to itself a sum sufficient to fill it, and never admits any more. Something, however, is generally withdrawn from this channel in the case of foreign war. By the great number of people who are maintained abroad, fewer are maintained at home. Fewer goods are circulated there, and less money becomes necessary to circulate them. An extraordinary quantity of paper money, of some sort or other too, such as exchequer notes, navy bills, and bank bills in England, is generally issued upon such occasions, and by supplying the place of circulating gold and silver, gives an opportunity of sending a greater quantity of it abroad. All this, however, could afford but a poor resource for maintaining a foreign war of great expense and several years' duration.

The melting down the plate of private families, has upon every occasion been found a still more insignificant one. The French, in the beginning of the last war, did not derive so much advantage from this expedient as to compensate the loss of the fashion.

The accumulated treasures of the prince have, in former times, afforded a much greater and more lasting resource. In the present times, if you except the king of Prussia, to accumulate treasure seems to be no part of the policy of European princes.

The funds which maintained the foreign wars of the present century, the most expensive perhaps which history records, seem to have had little dependency upon the exportation either of the circulating money or of the plate of private families, or of the treasure of the prince. The last,

French war cost Great Britain upwards of ninety millions, including not only the seventy-five millions of new debt that was contracted, but the additional two shillings in the pound land tax, and what was annually borrowed of the sinking fund More than two-thirds of this expense was laid out in distant countries, in Germany, Portugal, America, in the ports of the Mediterranean, in the East and West Indies The kings of England had no accumulated treasure. We never heard of any extiaordinary quantity of plate being melted down The circulating gold and silver of the country had not been supposed to exceed eighteen millions Since the late recoinage of the gold, however, it is believed to have been a good deal under-rated Let us suppose, therefore, according to the most exaggerated computation which I remember to have either seen or heard of, that, gold and silver together, it amounted to thirty millions Had the war been carried on by means of our money, the whole of it must, even according to this computation, have been sent out and returned again at least twice, in a period of between six and seven years Should this be supposed, it would afford the most decisive argument to demonstrate how unnecessary it is for government to watch over the preservation of money, since upon this supposition the whole money of the country must have gone from it and returned to it again, two different times in so short a period, without anybody's knowing anything of the matter The channel of circulation, however, never appeared more empty than usual during any part of this period Few people wanted money who had wherewithal to pay for it The profits of foreign trade, indeed, were greater than usual

during the whole war; but especially towards the end of it This occasioned, what it always occasions, a general over-trading in all the parts of Great Britain; and this again occasioned the usual complaint of the scarcity of money, which always follows over-trading. Many people wanted it, who had neither wherewithal to buy it, nor credit to borrow it, and because the debtors found it difficult to borrow, the creditors found it difficult to get payment Gold and silver, however, were generally to be had for their value, by those who had that value to give for them.

The enormous expense of the late war, therefore, must have been chiefly defrayed, not by the exportation of gold and silver, but by that of British commodities of some kind or other When the government, or those who acted under them, contracted with a merchant for a remittance to some foreign country, he would naturally endeavour to pay his foreign correspondent, upon whom he had granted a bill, by sending abroad rather commodities than gold and silver If the commodities of Great Britain were not in demand in that country, he would endeavour to send them to some other country, in which he could purchase a bill upon that country The transportation of commodities, when properly suited to the market, is always attended with a considerable profit, whereas that of gold and silver is scarce ever attended with any. When those metals are sent abroad in order to purchase foreign commodities, the merchant's profit arises, not from the purchase, but from the sale of the returns But when they are sent abroad merely to pay a debt, he gets no returns, and consequently

no profit. He naturally, therefore, exerts his invention to find out a way of paying his foreign debts rather by the exportation of commodities than by that of gold and silver. The great quantity of British goods exported during the course of the late war, without bringing back any returns, is accordingly remarked by the author of "The Present State of the Nation."

Besides the three sorts of gold and silver above mentioned, there is in all great commercial countries a good deal of bullion alternately imported and exported for the purposes of foreign trade. This bullion, as it circulates among different commercial countries in the same manner as the national coin circulates in every particular country, may be considered as the money of the great mercantile republic. The national coin receives its movement and direction from the commodities circulated within the precincts of each particular country the money of the mercantile republic, from those circulated between different countries. Both are employed in facilitating exchanges, the one between different individuals of the same, the other between those of different nations. Part of this money of the great mercantile republic may have been, and probably was, employed in carrying on the late war. In time of a general war, it is natural to suppose that a movement and direction should be impressed upon it, different from what it usually follows in profound peace; that it should circulate more about the seat of war, and be more employed in purchasing there, and in the neighbouring countries, the pay and provisions of the different armies. But whatever part of this money of the mercantile republic Great Britain

may have annually employed in this manner, it must have been annually purchased, either with British commodities, or with something else that had been purchased with them, which still brings us back to commodities, to the annual produce of the land and labour of the country, as the ultimate resources which enabled us to carry on the war. . . .

The commodities most proper for being transported to distant countries, in order to purchase there, either the pay and provisions of an army, or some part of the money of the mercantile republic to be employed in purchasing them, seem to be the finer and more improved manufactures, such as contain a great value in a small bulk, and can, therefore, be exported to a great distance at little expense. A country whose industry produces a great annual surplus of such manufactures, which are usually exported to foreign countries, may carry on for many years a very expensive foreign war, without either exporting any considerable quantity of gold and silver, or even having any such quantity to export. A considerable part of the annual surplus of its manufactures must, indeed, in this case be exported, without bringing back any returns to the country, though it does to the merchant; the government purchasing of the merchant his bills upon foreign countries, in order to purchase there the pay and provisions of an army. . . .

No foreign war of great expense or duration could conveniently be carried on by the exportation of the rude produce of the soil. The expense of sending such a quantity of it to a foreign country as might purchase the pay and provisions of an army, would be too great. Few countries, too, produce much more rude produce than what is suf-

ficient for the subsistence of their own inhabitants To send abroad any great quantity of it, therefore, would be to send abroad a part of the necessary subsistence of the people It is otherwise with the exportation of manufactures. The maintenance of the people employed in them is kept at home, and only the surplus part of their work is exported Mr Hume frequently takes notice of the inability of the ancient kings of England to carry on, without interruption, any foreign war of any long duration. The English, in those days, had nothing wherewithal to purchase the pay and provisions of their armies in foreign countries, but either the rude produce of the soil, of which no considerable part could be spared from the home consumption, or a few manufactures of the coarsest kind, of which, as well as of the rude produce, the transportation was too expensive .

The importation of gold and silver is not the principal, much less the sole, benefit which a nation derives from its foreign trade. Between whatever places foreign trade is carried on, they all of them derive two distinct benefits from it It carries out that surplus part of the produce of their land and labour for which there is no demand among them, and brings back in return for it something else for which there is a demand . . By means of it, the narrowness of the home market does not hinder the division of labour in any particular branch of art or manufacture from being carried to the highest perfection By opening a more extensive market for whatever part of the produce of their labour may exceed the home consumption, it encourages them to improve its productive powers, and to augment its

annual produce to the utmost, and thereby to increase the real revenue and wealth of the society . . .

I thought it necessary, though at the hazard of being tedious, to examine at full length this popular notion that wealth consists in money, or in gold and silver. Money in common language, as I have already observed, frequently signifies wealth, and this ambiguity of expression has rendered this popular notion so familiar to us, that even they who are convinced of its absurdity are very apt to forget their own principles, and in the course of their reasonings to take it for granted as a certain and undeni able truth. Some of the best English writers upon commerce set out with observing that the wealth of a country consists, not in its gold and silver only, but in its lands, houses, and consumable goods of all different kinds. In the course of their reasonings, however, the lands, houses, and consumable goods seem to slip out of their memory, and the strain of their argument frequently supposes that all wealth consists in gold and silver, and that to multiply those metals is the great object of national industry and commerce.

The two principles being established, however, that wealth consisted in gold and silver, and that those metals could be brought into a country which had no mines only by the balance of trade, or by exporting to a greater value than it imported, it necessarily became the greater object of political œconomy to diminish as much as possible the importation of foreign goods for home consumption, and to increase as much as possible the exportation of the produce of domestic industry. Its two great engines for enriching the country, therefore, were restraints upon importation, and

CHAPTER II.

OF RESTRAINTS UPON THE IMPORTATION FROM FOREIGN COUNTRIES OF SUCH GOODS AS CAN BE PRODUCED AT HOME.

By restraining, either by high duties, or by absolute prohibitions, the importation of such goods from foreign countries as can be produced at home, the monopoly of the home market is more or less secured to the domestic industry employed in producing them. . .

That this monopoly of the home market frequently gives great encouragement to that particular species of industry which enjoys it, and frequently turns towards that employment a greater share of both the labour and stock of the society than would otherwise have gone to it cannot be doubted. But whether it tends either to increase the general industry of the society, or to give it the most advantageous direction, is not, perhaps, altogether so evident

The general industry of the society can never exceed what the capital of the society can employ As the number of workmen that can be kept in employment by any particular person must bear a certain proportion to his capital, so the number of those that can be continually employed by all the members of a great society, must bear a certain proportion to the whole capital of that society, and can never exceed that proportion No regulation of commerce can increase the quantity of industry in any society beyond what its capital can maintain. It can only

divert a part of it into a direction into which it might not otherwise have gone, and it is by no means certain that this artificial direction is likely to be more advantageous to the society than that into which it would have gone of its own accord.

Every individual is continually exerting himself to find out the most advantageous employment for whatever capital he can command. It is his own advantage, indeed, and not that of the society, which he has in view. But the study of his own advantage, naturally, or rather necessarily, leads him to prefer that employment which is most advantageous to the society.

First, every individual endeavours to employ his capital as near home as he can, and consequently as much as he can in the support of domestic industry, provided always that he can thereby obtain the ordinary, or not a great deal less than the ordinary, profits of stock.

Thus, upon equal or nearly equal profits, every wholesale merchant naturally prefers the home trade to the foreign trade of consumption, and the foreign trade of consumption to the carrying trade . . . But a capital employed in the home trade, it has already been shown, necessarily puts into motion a greater quantity of domestic industry, and gives revenue and employment to a greater number of the inhabitants of the country, than an equal capital employed in the foreign trade of consumption: and one employed in the foreign trade of consumption has the same advantage over an equal capital employed in the carrying trade. Upon equal or only nearly equal profits, therefore, every individual naturally inclines to employ his capital ,

in the manner in which it is likely to afford the greatest support to domestic industry, and to give revenue and employment to the greatest number of people of his own country.

Secondly, every individual who employs his capital in the support of domestic industry, necessarily endeavours so to direct that industry, that its produce may be of the greatest possible value.

The produce of industry is what it adds to the subject or materials upon which it is employed. In proportion as the value of this produce is great or small, so will likewise be the profits of the employer. But it is only for the sake of profit that any man employs a capital in the support of industry, and he will always, therefore, endeavour to employ it in the support of that industry of which the produce is likely to be of the greatest value, or to exchange for the greatest quantity either of money or of other goods.

But the annual revenue of every society is always precisely equal to the exchangeable value of the whole annual produce of its industry, or rather is precisely the same thing with that exchangeable value. As every individual, therefore, endeavours as much as he can both to employ his capital in the support of domestic industry, and so to direct that industry that its produce may be of the greatest value, every individual necessarily labours to render the annual revenue of the society as great as he can. He generally, indeed, neither intends to promote the public interest, nor knows how much he is promoting it. By preferring the support of domestic to that of foreign industry, he intends only his own security, and by directing that

industry in such a manner as its produce may be of the greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. Nor is it always the worse for the society that it was no part of it. By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it. I have never known much good done by those who affected to trade for the public good. It is an affectation, indeed, not very common among merchants, and very few words need be employed in dissuading them from it.

What is the species of domestic industry which his capital can employ, and of which the produce is likely to be of the greatest value, every individual, it is evident, can, in his local situation, judge much better than any statesman or lawgiver can do for him. The statesman who should attempt to direct private people in what manner they ought to employ their capitals, would not only load himself with a most unnecessary attention, but assume an authority which could safely be trusted, not only to no single person, but to no council or senate whatever, and which would nowhere be so dangerous as in the hands of a man who had folly and presumption enough to fancy himself fit to exercise it.

To give the monopoly of the home market to the produce of domestic industry, in any particular art or manufacture, is in some measure to direct private people in what manner they ought to employ their capitals, and must, in almost all cases, be either a useless or a hurtful regulation. If the produce of domestic can be brought there as cheap,

as that of foreign industry, the regulation is evidently useless. If it cannot, it must generally be hurtful. It is the maxim of every prudent master of a family, never to attempt to make at home what it will cost him more to make than to buy. The taylor does not attempt to make his own shoes, but buys them of the shoemaker. The shoemaker does not attempt to make his own cloaths, but employs a taylor. The farmer attempts to make neither the one nor the other, but employs those different artificers. All of them find it for their interest to employ their whole industry in a way in which they have some advantage over their neighbours, and to purchase with a part of its produce, or, what is the same thing, with the price of a part of it, whatever else they have occasion for.

What is prudence in the conduct of every private family, can scarce be folly in that of a great kingdom. If a foreign country can supply us with a commodity cheaper than we ourselves can make it, better buy it of them with some part of the produce of our own industry, employed in a way in which we have some advantage. The general industry of the country, being always in proportion to the capital which employs it, will not thereby be diminished, no more than that of the above-mentioned artificers, but only left to find out the way in which it can be employed with the greatest advantage. It is certainly not employed to the greatest advantage when it is thus directed towards an object which it can buy cheaper than it can make. The value of its annual produce is certainly more or less diminished, when it is thus turned away from producing commodities evidently of more value than the commodity

which it is directed to produce. According to the supposition, that commodity could be purchased from foreign countries cheaper than it can be made at home. It could, therefore, have been purchased with a part only of the commodities, or, what is the same thing, with a part only of the price of the commodities, which the industry employed by an equal capital would have produced at home had it been left to follow its natural course. The industry of the country, therefore, is thus turned away from a more to a less advantageous employment, and the exchangeable value of its annual produce, instead of being increased, according to the intention of the lawgiver, must necessarily be diminished by every such regulation.

By means of such regulations, indeed, a particular manufacture may sometimes be acquired sooner than it could have been otherwise, and after a certain time may be made at home as cheap or cheaper than in the foreign country. But though the industry of the society may be thus carried with advantage into a particular channel sooner than it could have been otherwise, it will by no means follow that the sum total, either of its industry, or of its revenue, can ever be augmented by any such regulation. The industry of the society can augment only in proportion as its capital augments, and its capital can augment only in proportion to what can be gradually saved out of its revenue. But the immediate effect of every such regulation is to diminish its revenue, and what diminishes its revenue is certainly not very likely to augment its capital faster than it would have augmented of its own accord, had both their capital and their industry been left to find out their natural employments.

Though for want of such regulations the society should never acquire the proposed manufacture, it would not, upon that account, necessarily be the poorer in any one period of its duration. In every period of its duration its whole capital and industry might still have been employed, though upon different objects, in the manner that was most advantageous at the time. In every period its revenue might have been the greatest which its capital could afford, and both capital and revenue might have been augmented with the greatest possible rapidity.

The natural advantages which one country has over another in producing particular commodities are sometimes so great, that it is acknowledged by all the world to be in vain to struggle with them. By means of glasses, hotbeds, and hot-walls, very good grapes can be raised in Scotland, and very good wine too can be made of them at about thirty times the expense for which at least equally good can be brought from foreign countries. Would it be a reasonable law to prohibit the importation of all foreign wines merely to encourage the making of claret and burgundy in Scotland? But if there would be a manifest absurdity in turning towards any employment thirty times more of the capital and industry of the country than would be necessary to purchase from foreign countries an equal quantity of the commodities wanted, there must be an absurdity, though not altogether so glaring, yet exactly of the same kind, in turning towards any such employment a thirtieth, or even a three hundredth part more of either. Whether the advantages which one country has over another be natural or acquired, is in this respect of no conse-

quence. As long as the one country has those advantages, and the other wants them, it will always be more advantageous for the latter rather to buy of the former than to make. It is an acquired advantage only which one artificer has over his neighbour who exercises another trade, and yet they both find it more advantageous to buy of one another than to make what does not belong to their particular trades. . . .

There seem, however, to be two cases in which it will generally be advantageous to lay some burden upon foreign, for the encouragement of domestic industry.

The first is, when some particular sort of industry is necessary for the defence of the country. The defence of Great Britain, for example, depends very much upon the number of its sailors and shipping. The act of navigation, therefore, very properly endeavours to give the sailors and shipping of Great Britain the monopoly of the trade of their own country, in some cases, by absolute prohibitions, and in others by heavy burdens upon the shipping of foreign countries. . . .

When the act of navigation was made, though England and Holland were not actually at war, the most violent animosity subsisted between the two nations. It had begun during the government of the Long Parliament which first framed this act, and it broke out soon after in the Dutch wars during that of the Protector and of Charles the Second. It is not impossible, therefore, that some of the regulations of this famous act may have proceeded from natural animosity. They are as wise, however, as if they had all been dictated by the most deliberate wisdom. . . .

National animosity at that particular time aimed at the very same object which the most deliberate wisdom would have recommended, the diminution of the naval power of Holland, the only naval power which could endanger the security of England.

The act of navigation is not favourable to foreign commerce, or to the growth of that opulence which can arise from it. The interest of a nation in its commercial relations to foreign nations is, like that of a merchant with regard to the different people with whom he deals, to buy as cheap and to sell as dear as possible. But it will be most likely to buy cheap, when by the most perfect freedom of trade it encourages all nations to bring to it the goods which it has occasion to purchase, and, for the same reason, it will be most likely to sell dear, when its markets are thus filled with the greatest number of buyers. The act of navigation, it is true, lays no burden upon foreign ships that come to export the produce of British industry.

. . . But if foreigners, either by prohibitions or high duties, are hindered from coming to sell, they cannot always afford to come to buy, because coming without a cargo, they must lose the freight from their own country to Great Britain. By diminishing the number of sellers, therefore, we necessarily diminish that of buyers, and are thus likely not only to buy foreign goods dearer, but to sell our own cheaper, than if there was a more perfect freedom of trade. As defence, however, is of much more importance than opulence, the act of navigation is, perhaps, the wisest of all the commercial regulations of England.

. . . The second case in which it will generally be advanta-

geous to lay some burden upon foreign for the encouragement of domestic industry, is when some tax is imposed at home upon the produce of the latter. In this case, it seems reasonable that an equal tax should be imposed upon the like produce of the former. This would not give the monopoly of the home market to domestic industry, nor turn towards a particular employment a greater share of the stock and labour of the country than what would naturally go to it. It would only hinder any part of what would naturally go to it from being turned away by the tax into a less natural direction, and would leave the competition between foreign and domestic industry, after the tax, as nearly as possible upon the same footing as before it. . . .

As there are two cases in which it will generally be advantageous to lay some burden upon foreign, for the encouragement of domestic industry, so there are two others in which it may sometimes be a matter of deliberation, in the one, how far it is proper to continue the free importation of certain foreign goods, and in the other, how far, or in what manner, it may be proper to restore that free importation after it has been for some time interrupted.

The case in which it may sometimes be a matter of deliberation how far it is proper to continue the free importation of certain foreign goods, is, when some foreign nation restrains by high duties or prohibitions the importation of some of our manufactures into their country. Revenge in this case naturally dictates retaliation, and that we should impose the like duties and prohibitions upon the importation of some or all of their manufactures into

ours. Nations accordingly seldom fail to retaliate in this manner. . . .

There may be good policy in retaliations of this kind, when there is a probability that they will procure the repeal of the high duties or prohibitions complained of. The recovery of a great foreign market will generally more than compensate the transitory inconvenience of paying dearer during a short time for some sorts of goods. To judge whether such retaliations are likely to produce such an effect, does not, perhaps, belong so much to the science of a legislator, whose deliberations ought to be governed by general principles which are always the same, as to the skill of that insidious and crafty animal, vulgarly called a statesman or politician, whose councils are directed by the momentary fluctuations of affairs

The case in which it may sometimes be a matter of deliberation, how far, or in what manner it is proper to restore the free importation of foreign goods, after it has been for some time interrupted, is, when particular manufactures, by means of high duties or prohibitions upon all foreign goods which can come into competition with them, have been so far extended as to employ a great multitude of hands. Humanity may in this case require that the freedom of trade should be restored only by slow gradations, and with a good deal of reserve and circumspection. Were those high duties and prohibitions taken away all at once, cheaper foreign goods of the same kind might be poured so fast into the home market, as to deprive all at once many thousands of our people of their ordinary employment and means of subsistence. The disorder which

this would occasion might, no doubt, be very considerable. It would in all probability, however, be much less than is commonly imagined, for the two following reasons

First, all those manufactures, of which any part is commonly exported to other European countries without a bounty, could be very little affected by the freest importation of foreign goods. Such manufactures must be sold as cheap abroad as any other foreign goods of the same quality and kind, and consequently must be sold cheaper at home. They would still, therefore, keep possession of the home market. . .

Secondly, though a great number of people should, by thus restoring the freedom of trade, be thrown all at once out of their ordinary employment and common method of subsistence, it would by no means follow that they would thereby be deprived either of employment or subsistence. By the reduction of the army and navy at the end of the late war, more than a hundred thousand soldiers and seamen, a number equal to what is employed in the greatest manufactures, were all at once thrown out of their ordinary employment, but, though they no doubt suffered some inconveniency, they were not thereby deprived of all employment and subsistence. The greater part of the seamen, it is probable, gradually betook themselves to the merchant-service as they could find occasion, and, in the meantime, both they and the soldiers were absorbed in the great mass of the people, and employed in a great variety of occupations . . . To the greater part of manufactures besides, it has already been observed, there are other collateral manufactures of so similar a nature, that a workman

can easily transfer his industry from one of them to another. The greater part of such workmen too are occasionally employed in country labour. The stock which employed them in a particular manufacture before, will still remain in the country to employ an equal number of people in some other way. The capital of the country remaining the same, the demand for labour will likewise be the same, or very nearly the same, though it may be exerted in different places and for different occupations. Soldiers and seamen, indeed, when discharged from the king's service, are at liberty to exercise any trade, within any town or place of Great Britain or Ireland. Let the same natural liberty of exercising what species of industry they please, be restored to all His Majesty's subjects, in the same manner as to soldiers and seamen, that is, break down the exclusive privileges of corporations, and repeal the statute of apprenticeship, both which are real encroachments upon natural liberty, and add to these the repeal of the law of settlements, so that a poor workman, when thrown out of employment either in one trade, or in one place, may seek for it in another trade or in another place, without the fear either of a prosecution or of a removal, and neither the public nor the individuals will suffer much more from the occasional disbanding some particular classes of manufacturers than from that of soldiers. Our manufacturers have no doubt great merit with their country, but they cannot have more than those who defend it with their blood, nor deserve to be treated with more delicacy.

To expect, indeed, that the freedom of trade should ever be entirely restored in Great Britain, is as absurd as to

expect that an Oceania or Utopia should ever be established in it. Not only the prejudices of the public, but what is much more unconquerable, the private interests of many individuals, irresistibly oppose it. . . .

The undertaker of a great manufacture, who, by the home markets being suddenly laid open to the competition of foreigners, should be obliged to abandon his trade, would no doubt suffer very considerably. That part of his capital which had usually been employed in purchasing materials and in paying his workmen might, without much difficulty perhaps, find another employment. But that part of it which was fixed in workhouses, and in the instruments of trade, could scarce be disposed of without considerable loss. The equitable regard, therefore, to his interest requires that changes of this kind should never be introduced suddenly, but slowly, gradually, and after a very long warning. The legislature, were it possible that its deliberations could be always directed, not by the clamorous importunity of partial interests, but by an extensive view of the general good, ought upon this very account, perhaps, to be particularly careful neither to establish any new monopolies of this kind, nor to extend further those which are already established. Every such regulation introduces some degree of real disorder into the constitution of the state, which it will be difficult afterwards to cure without occasioning another disorder

CHAPTER VIII.¹

CONCLUSION OF THE MERCANTILE SYSTEM.

. CONSUMPTION is the sole end and purpose of all production , and the interest of the producer ought to be attended to, only so far as it may be necessary for promoting that of the consumer. The maxim is so perfectly self-evident, that it would be absurd to attempt to prove it. But in the mercantile system, the interest of the consumer is almost constantly sacrificed to that of the producer ; and it seems to consider production, and not consumption, as the ultimate end and object of all industry and commerce . . .

It cannot be very difficult to determine who have been the contrivers of this whole mercantile system , not the consumers, we may believe, whose interest has been entirely neglected, but the producers, whose interest has been so carefully attended to , and among this latter class our merchants and manufacturers have been by far the principal architects. . . .

¹ Added in 3rd ed — *Ed*

CHAPTER IX.

OF THE AGRICULTURAL SYSTEMS, OR OF THOSE SYSTEMS OF POLITICAL OECONOMY WHICH REPRESENT THE PRODUCE OF LAND AS EITHER THE SOLE OR THE PRINCIPAL SOURCE OF THE REVENUE AND WEALTH OF EVERY COUNTRY.

THAT system which represents the produce of land as the sole source of the revenue and wealth of every country has, so far as I know, never been adopted by any nation, and it at present exists only in the speculations of a few men of great learning and ingenuity in France.

Mr Colbert, the famous minister of Louis XIV., was a man of probity, of great industry and knowledge of detail; of great experience and acuteness in the examination of public accounts, and of abilities, in short, every way fitted for introducing method and good order into the collection and expenditure of the public revenue. That minister had unfortunately embraced all the prejudices of the mercantile system, in its nature and essence a system of restraint and regulation, and such as could scarce fail to be agreeable to a laborious and plodding man of business, who had been accustomed to regulate the different departments of public offices, and to establish the necessary checks and controls for confining each to its proper sphere. The industry and commerce of a great country he endeavoured to regulate upon the same model as the departments of a

public office, and instead of allowing every man to pursue his own interest his own way, upon the liberal plan of equality, liberty, and justice, he bestowed upon certain branches of industry extraordinary privileges, while he laid others under as extraordinary restraints. He was not only disposed, like other European ministers, to encourage more the industry of the towns than that of the country, but, in order to support the industry of the towns, he was willing even to depress and keep down that of the country. In order to render provisions cheap to the inhabitants of the towns, and thereby to encourage manufactures and foreign commerce, he prohibited altogether the exportation of corn, and thus excluded the inhabitants of the country from every foreign market for by far the most important part of the produce of their industry. This prohibition, joined to the restraints imposed by the ancient provincial laws of France upon the transportation of corn from one province to another, and to the arbitrary and degrading taxes which are levied upon the cultivators in almost all the provinces, discouraged and kept down the agriculture of that country very much below the state to which it would naturally have risen in so very fertile a soil and so very happy a climate. This state of discouragement and depression was felt more or less in every different part of the country, and many different inquiries were set on foot concerning the causes of it. One of those causes appeared to be the preference given, by the institutions of Mr Colbert, to the industry of the towns above that of the country.

If the rod be bent too much one way, says the proverb, in order to make it straight you must bend it as much the

other The French philosophers, who have proposed the system which represents agriculture as the sole source of the revenue and wealth of every country, seem to have adopted this proverbial maxim, and as in the plan of Mr. Colbert the industry of the towns was certainly over-valued in comparison with that of the country, so in their system it seems to be as certainly under-valued.

The different orders of people who have ever been supposed to contribute in any respect towards the annual produce of the land and labour of the country, they divide into three classes The first is the class of the proprietors of land. The second is the class of the cultivators, of farmers and country labourers, whom they honour with the peculiar appellation of the productive class The third is the class of artificers, manufacturers, and merchants, whom they endeavour to degrade by the humiliating appellation of the barren or unproductive class.

The class of proprietors contributes to the annual produce by the expense which they may occasionally lay out upon the improvement of the land, upon the buildings, drains, enclosures, and other ameliorations which they may either make or maintain upon it, and by means of which the cultivators are enabled, with the same capital, to raise a greater produce, and consequently to pay a greater rent. This advanced rent may be considered as the interest or profit due to the proprietor upon the expense or capital which he thus employs in the improvement of his land. Such expenses are in this system called ground expenses (*dépenses foncières*)

The cultivators or farmers contribute to the annual pro-

duce by what are in this system called the original and annual expenses (*dépenses primitives et dépenses annuelles*) which they lay out upon the cultivation of the land. The original expenses consist in the instruments of husbandry, in the stock of cattle, in the seed, and in the maintenance of the farmer's family, servants, and cattle, during at least a great part of the first year of his occupancy, or till he can receive some return from the land. The annual expenses consist in the seed, in the wear and tear of the instruments of husbandry, and in the annual maintenance of the farmer's servants and cattle, and of his family too, so far as any part of them can be considered as servants employed in cultivation. That part of the produce of the land which remains to him after paying the rent, ought to be sufficient, first to replace to him within a reasonable time, at least during the term of his occupancy, the whole of his original expenses, together with the ordinary profits of stock, and, secondly, to replace to him annually the whole of his annual expenses, together likewise with the ordinary profits of stock Those two sorts of expenses are two capitals which the farmer employs in cultivation, and unless they are regularly restored to him, together with a reasonable profit, he cannot carry on his employment upon a level with other employments, but, from a regard to his own interest, must desert it as soon as possible, and seek some other. That part of the produce of the land which is thus necessary for enabling the farmer to continue his business, ought to be considered as a fund sacred to cultivation, which if the landlord violates, he necessarily reduces the produce of his own land, and in a few years not

only disables the farmer from paying this racked rent, but from paying the reasonable rent which he might otherwise have got for his land. The rent which properly belongs to the landlord, is no more than the neat produce which remains after paying in the completest manner all the necessary expenses which must be previously laid out in order to raise the gross, or the whole produce. It is because the labour of the cultivators, over and above paying completely all those necessary expenses, affords a neat produce of this kind, that this class of people are in this system peculiarly distinguished by the honourable appellation of the productive class. Their original and annual expenses are for the same reason called, in this system, productive expenses, because, over and above replacing their own value, they will occasion the annual reproduction of this neat produce.

The ground expenses, as they are called, or what the landlord lays out upon the improvement of his land, are in this system, too, honoured with the appellation of productive expenses. Till the whole of those expenses, together with the ordinary profits of stock, have been completely repaid to him by the advanced rent which he gets from his land, that advanced rent ought to be regarded as sacred and inviolable, both by the church and by the king, ought to be subject neither to tithe nor to taxation. If it is otherwise, by discouraging the improvement of land, the church discourages the future increase of her own tithes, and the king the future increase of his own taxes. As in a well-ordered state of things, therefore, those ground expenses, over and above reproducing in the completest manner their own value, occasion likewise after a certain time a repro-

duction of a neat produce, they are in this system considered as productive expenses.

The ground expenses of the landlord, however, together with the original and the annual expenses of the farmer, are the only three sorts of expenses which in this system are considered as productive. All other expenses and all other orders of people, even those who in the common apprehensions of men are regarded as the most productive, are in this account of things represented as altogether barren and unproductive.

Artificers and manufacturers, in particular, whose industry, in the common apprehensions of men, increases so much the value of the rude produce of land, are in this system represented as a class of people altogether barren and unproductive. Their labour, it is said, replaces only the stock which employs them, together with its ordinary profits. That stock consists in the materials, tools, and wages, advanced to them by their employer, and is the fund destined for their employment and maintenance. Its profits are the fund destined for the maintenance of their employer. Their employer, as he advances to them the stock of materials, tools, and wages necessary for their employment, so he advances to himself what is necessary for his own maintenance, and this maintenance he generally proportions to the profit which he expects to make by the price of their work. Unless its price repays to him the maintenance which he advances to himself, as well as the materials, tools, and wages which he advances to his workmen, it evidently does not repay to him the whole expense which he lays out upon it. The profits of manu-

facturing stock, therefore, are not, like the rent of land, a neat produce which remains after completely repaying the whole expense which must be laid out in order to obtain them. The stock of the farmer yields him a profit as well as that of the master manufacturer, and it yields a rent likewise to another person, which that of the master manufacturer does not. The expense, therefore, laid out in employing and maintaining artificers and manufacturers, does no more than continue, if one may say so, the existence of its own value, and does not produce any new value. It is, therefore, altogether a barren and unproductive expense. The expense, on the contrary, laid out in employing farmers and country labourers, over and above continuing the existence of its own value, produces a new value, the rent of the landlord. It is, therefore, a productive expense.

Mercantile stock is equally barren and unproductive with manufacturing stock. It only continues the existence of its own value, without producing any new value. Its profits are only the repayment of the maintenance which its employer advances to himself during the time that he employs it, or till he receives the returns of it, and they are only the repayment of a part of the expense which must be laid out in employing it.

The labour of artificers and manufacturers never adds anything to the value of the whole annual amount of the rude produce of the land. It adds, indeed, greatly to the value of some particular parts of it. But the consumption which in the meantime it occasions of other parts, is precisely equal to the value which it adds to those parts; so,

that the value of the whole amount is not, at any one moment of time, in the least augmented by it. The person who works the lace of a pair of fine ruffles, for example, will sometimes raise the value of perhaps a pennyworth of flax to thirty pounds sterling. But though at first sight he appears thereby to multiply the value of a part of the rude produce about seven thousand and two hundred times, he in reality adds nothing to the value of the whole annual amount of the rude produce. The working of that lace costs him perhaps two years' labour. The thirty pounds which he gets for it when it is finished, is no more than the repayment of the subsistence which he advances to himself during the two years that he is employed about it. The value which, by every day's, month's, or year's labour, he adds to the flax, does not more than replace the value of his own consumption during that day, month, or year. At no moment of time, therefore, does he add anything to the value of the whole annual amount of the rude produce of the land the portion of that produce which he is continually consuming, being always equal to the value which he is continually producing. . . . It is otherwise with the work of farmers and country labourers. The rent of the landlord is a value which, in ordinary cases, it is continually producing, over and above replacing, in the most complete manner, the whole consumption, the whole expense laid out upon the employment and the maintenance both of the workmen and of their employer.

Artificers, manufacturers, and merchants can augment the revenue and wealth of their society by parsimony only, or, as it is expressed in this system, by privation, that is,

by depriving themselves of a part of the funds destined for their own subsistence. They annually reproduce nothing but those funds. Unless, therefore, they annually save some part of them, unless they annually deprive themselves of the enjoyment of some part of them, the revenue and wealth of their society can never be in the smallest degree augmented by means of their industry. Farmers and country labourers, on the contrary, may enjoy completely the whole funds destined for their own subsistence, and yet augment at the same time the revenue and wealth of their society. Over and above what is destined for their own subsistence, their industry annually affords a neat produce, of which the augmentation necessarily augments the revenue and wealth of their society. . . .

The unproductive class, that of merchants, artificers, and manufacturers, is maintained and employed altogether at the expense of the two other classes, of that of proprietors, and of that of cultivators. They furnish it both with the materials of its work and with the fund of its subsistence, with the corn and cattle which it consumes while it is employed about that work. The proprietors and cultivators finally pay both the wages of all the workmen of the unproductive class, and the profits of all their employers. Those workmen and their employers are properly the servants of the proprietors and cultivators. They are only servants who work without doors, as menial servants work within. Both the one and the other, however, are equally maintained at the expense of the same masters. The labour of both is equally unproductive. It adds nothing to the value of the sum total of the rude produce of the

land. Instead of increasing the value of that sum total, it is a charge and expense which must be paid out of it.

The unproductive class, however, is not only useful, but greatly useful to the other two classes. By means of the industry of merchants, artificers, and manufacturers, the proprietors and cultivators can purchase both the foreign goods and the manufactured produce of their own country which they have occasion for, with the produce of a much smaller quantity of their own labour than what they would be obliged to employ if they were to attempt, in an awkward and unskilful manner, either to import the one or to make the other for their own use. By means of the unproductive class, the cultivators are delivered from many cares which would otherwise distract their attention from the cultivation of land. The superiority of produce which, in consequence of this undivided attention, they are enabled to raise, is fully sufficient to pay the whole expense which the maintenance and employment of the unproductive class costs either the proprietors or themselves. The industry of merchants, artificers, and manufacturers, though in its own nature altogether unproductive, yet contributes in this manner indirectly to increase the produce of the land. It increases the productive powers of productive labour, by leaving it at liberty to confine itself to its proper employment, the cultivation of land, and the plough goes frequently the easier and the better by means of the labour of the man whose business is most remote from the plough.

It can never be the interest of the proprietors and cultivators to restrain or to discourage in any respect the industry of merchants, artificers, and manufacturers. The

greater the liberty which this unproductive class enjoys, the greater will be the competition of all the different trades which compose it, and the cheaper will the other two classes be supplied, both with foreign goods and with the manufactured produce of their own country.

It can never be the interest of the unproductive class to oppress the other two classes. It is the surplus produce of the land, or what remains after deducting the maintenance, first, of the cultivators, and afterwards, of the proprietors, that maintains and employs the unproductive class. The greater this surplus, the greater must likewise be the maintenance and employment of that class. The establishment of perfect justice, of perfect liberty, and of perfect equality, is the very simple secret which most effectually secures the highest degree of prosperity to all the three classes.

The merchants, artificers, and manufacturers of those mercantile states which, like Holland and Hamburg, consist chiefly of this unproductive class, are in the same manner maintained and employed altogether at the expense of the proprietors and cultivators of land. The only difference is, that those proprietors and cultivators are, the greater part of them, placed at a more inconvenient distance from the merchants, artificers, and manufacturers whom they supply with the materials of their work and the fund of their subsistence, than are the inhabitants of other countries, and the subjects of other governments.

Such mercantile states, however, are not only useful, but greatly useful to the inhabitants of those other countries. They fill up, in some measure, a very important void, and

supply the place of the merchants, artificers, and manufacturers, whom the inhabitants of those countries ought to find at home, but whom, from some defect in their policy, they do not find at home

It can never be the interest of those landed nations, if I may call them so, to discourage or distress the industry of such mercantile states, by imposing high duties upon their trade, or upon the commodities which they furnish. Such duties, by rendering those commodities dearer, could serve only to sink the real value of the surplus produce of their own land, with which, or, what comes to the same thing, with the price of which, those commodities are purchased. Such duties could serve only to discourage the increase of that surplus produce, and consequently the improvement and cultivation of their own land. The most effectual expedient, on the contrary, for raising the value of that surplus produce, for encouraging its increase, and consequently the improvement and cultivation of their own land, would be to allow the most perfect freedom to the trade of all such mercantile nations

This perfect freedom of trade would even be the most effectual expedient for supplying them, in due time, with all the artificers, manufacturers, and merchants, whom they wanted at home, and for filling up in the properest and most advantageous manner that very important void which they felt there

The continual increase of the surplus produce of their land would, in due time, create a greater capital than what could be employed with the ordinary rate of profit in the improvement and cultivation of land, and the surplus part

of it would naturally turn itself to the employment of artificers and manufacturers at home. But those artificers and manufacturers, finding at home both the materials of their work and the fund of their subsistence, might immediately, even with much less art and skill, be able to work as cheap as the like artificers and manufacturers of such mercantile states, who had both to bring from a great distance Even though, from want of art and skill, they might not for some time be able to work as cheap, yet, finding a market at home, they might be able to sell their work there as cheap as that of the artificers and manufacturers of such mercantile states, which could not be brought to that market but from so great a distance, and as their art and skill improved, they would soon be able to sell it cheaper. The artificers and manufacturers of such mercantile states, therefore, would immediately be rivalled in the market of those landed nations, and soon after undersold and justled out of it altogether. The cheapness of the manufactures of those landed nations, in consequence of the gradual improvements of art and skill, would, in due time, extend their sale beyond the home market, and carry them to many foreign markets, from which they would in the same manner gradually justle out many of the manufactures of such mercantile nations.

This continual increase both of the rude and manufactured produce of those landed nations would in due time create a greater capital than could, with the ordinary rate of profit, be employed either in agriculture or in manufactures. The surplus of this capital would naturally turn itself to foreign trade, and be employed in exporting to

foreign countries such parts of the rude and manufactured produce of its own country as exceeded the demand of the home market. In the exportation of the produce of their own country, the merchants of a landed nation would have an advantage of the same kind over those of mercantile nations, which its artificers and manufacturers had over the artificers and manufacturers of such nations, the advantage of finding at home that cargo and those stores and provisions, which the others were obliged to seek for at a distance. With inferior art and skill in navigation, therefore, they would be able to sell that cargo as cheap in foreign markets as the merchants of such mercantile nations, and with equal art and skill they would be able to sell it cheaper. They would soon, therefore, rival those mercantile nations in this branch of foreign trade, and in due time would justle them out of it altogether.

According to this liberal and generous system, therefore, the most advantageous method in which a landed nation can raise up artificers, manufacturers, and merchants of its own, is to grant the most perfect freedom of trade to the artificers, manufacturers, and merchants of all other nations. It thereby raises the value of the surplus produce of its own land, of which the continual increase gradually establishes a fund which in due time necessarily raises up all the artificers, manufacturers, and merchants whom it has occasion for. •

When a landed nation, on the contrary, oppresses either by high duties or by prohibitions the trade of foreign nations, it necessarily hurts its own interest in two different ways. First, by raising the price of all foreign goods and

of all sorts of manufactures, it necessarily sinks the real value of the surplus produce of its own land, with which, or, what comes to the same thing, with the price of which, it purchases those foreign goods and manufactures. Secondly, by giving a sort of monopoly of the home market to its own merchants, artificers, and manufacturers, it raises the rate of mercantile and manufacturing profit in proportion to that of agricultural profit, and consequently either draws from agriculture a part of the capital which had before been employed in it, or hinders from going to it a part of what would otherwise have gone to it. This policy, therefore, discourages agriculture in two different ways, first, by sinking the real value of its produce, and thereby lowering the rate of its profit, and, secondly, by raising the rate of profit in all other employments. Agriculture is rendered less advantageous, and trade and manufactures more advantageous, than they otherwise would be; and every man is tempted by his own interest to turn, as much as he can, both his capital and his industry from the former to the latter employments.

Though, by this oppressive policy, a landed nation should be able to raise up artificers, manufacturers, and merchants of its own, somewhat sooner than it could do by the freedom of trade (a matter, however, which is not a little doubtful), yet it would raise them up, if one may say so, prematurely, and before it was perfectly ripe for them. By raising up too hastily one species of industry, it would depress another more valuable species of industry. By raising up too hastily a species of industry which only replaces the stock which employs it, together with the

ordinary profit, it would depress a species of industry which, over and above replacing that stock with its profit, affords likewise a neat produce, a free rent to the landlord. It would depress productive labour, by encouraging too hastily that labour which is altogether barren and unproductive.

In what manner, according to this system, the sum total of the annual produce of the land is distributed among the three classes above mentioned, and in what manner the labour of the unproductive class does no more than replace the value of its own consumption, without increasing in any respect the value of that sum total, is represented by Mr. Quesnai, the very ingenious and profound author of this system, in some arithmetical formularies. The first of these formularies, which by way of eminence he peculiarly distinguishes by the name of the *Œconomical Table*, represents the manner in which he supposes this distribution takes place in a state of the most perfect liberty, and therefore of the highest prosperity, in a state where the annual produce is such as to afford the greatest possible neat produce, and where each class enjoys its proper share of the whole annual produce. Some subsequent formularies represent the manner in which, he supposes, this distribution is made in different states of restraint and regulation, in which, either the class of proprietors, or the barren and unproductive class is more favoured than the class of cultivators, and in which, either the one or the other encroaches more or less upon the share which ought properly to belong to this productive class. Every such encroachment, every violation of that natural distri-

bution which the most perfect liberty would establish, must, according to this system, necessarily degrade more or less, from one year to another, the value and sum total of the annual produce, and must necessarily occasion a gradual declension in the real worth and revenue of the society, a declension of which the progress must be quicker or slower, according to the degree of this encroachment, according as that natural distribution, which the most perfect liberty would establish, is more or less violated. . . .

The capital error of this system seems to lie in its representing the class of artificers, manufacturers, and merchants as altogether barren and unproductive. The following observations may serve to show the impropriety of this representation

First, this class, it is acknowledged, reproduces annually the value of its own annual consumption, and continues, at least, the existence of the stock or capital which maintains and employs it. But upon this account alone the denomination of barren or unproductive should seem to be very improperly applied to it. We should not call a marriage barren or unproductive, though it produced only a son and a daughter, to replace the father and mother, and though it did not increase the number of the human species, but only continued it as it was before. Farmers and country labourers, indeed, over and above the stock which maintains and employs them, reproduce annually a neat produce, a free rent to the landlord. As a marriage which affords three children is certainly more productive than one which affords only two, so the labour of farmers and country labourers is certainly more productive than

that of merchants, artificers, and manufacturers. The superior produce of the one class, however, does not render the other class barren or unproductive.

Secondly, it seems, upon this account, altogether improper to consider artificers, manufacturers, and merchants in the same light as menial servants. The labour of menial servants does not continue the existence of the fund which maintains and employs them. Their maintenance and employment is altogether at the expense of their masters, and the work which they perform is not of a nature to repay that expense. The work consists in services which perish generally in the very instant of their performance, and does not fix or realize itself in any vendible commodity which can replace the value of their wages and maintenance. The labour, on the contrary, of artificers, manufacturers, and merchants, naturally does fix and realize itself in some such vendible commodity.

Thirdly, it seems, upon every supposition, improper to say that the labour of artificers, manufacturers, and merchants does not increase the real revenue of the society. Though we should suppose, for example, as it seems to be supposed in this system, that the value of the daily, monthly, and yearly consumption of this class was exactly equal to that of its daily, monthly, and yearly production, yet it would not from thence follow that its labour added nothing to the real revenue, to the real value of the annual produce of the land and labour of the society. An artificer, for example, who, in the first six months after harvest, executes ten pounds' worth of work, though he should in the same time consume ten pounds' worth of corn and other

necessaries, yet really adds the value of ten pounds to the annual produce of the land and labour of the society. While he has been consuming a half yearly revenue of ten pounds' worth of corn and other necessaries, he has produced an equal value of work capable of purchasing, either to himself or to some other person, an equal half yearly revenue. The value, therefore, of what has been consumed and produced during these six months is equal, not to ten, but to twenty pounds. It is possible, indeed, that no more than ten pounds' worth of this value may ever have existed at any one moment of time. But if the ten pounds' worth of corn and other necessaries, which were consumed by the artificer, had been consumed by a soldier or by a menial servant, the value of that part of the annual produce which existed at the end of the six months, would have been ten pounds less than it actually is in consequence of the labour of the artificer. Though the value of what the artificer produces, therefore, should not at any moment of time be supposed greater than the value he consumes, yet at every moment of time the actually existing value of goods in the market is, in consequence of what he produces, greater than it otherwise would be.

When the patrons of this system assert, that the consumption of artificers, manufacturers, and merchants is equal to the value of what they produce, they probably mean no more than that their revenue, or the fund destined for their consumption, is equal to it. But if they had expressed themselves more accurately, and only asserted that the revenue of this class was equal to the value of what they produced, it might readily have occurred to the reader,

that what would naturally be saved out of this revenue must necessarily increase more or less the real wealth of the society. In order, therefore, to make out something like an argument, it was necessary that they should express themselves as they have done, and this argument, even supposing things actually were as it seems to presume them to be, turns out to be a very inconclusive one.

Fourthly, farmers and country labourers can no more augment, without parsimony, the real revenue, the annual produce of the land and labour of their society, than artificers, manufacturers, and merchants. The annual produce of the land and labour of any society can be augmented only in two ways, either, first, by some improvement in the productive powers of the useful labour actually maintained within it, or, secondly, by some increase in the quantity of that labour employed

The improvement in the productive powers of useful labour depends, first, upon the improvement in the ability of the workman, and, secondly, upon that of the machinery with which he works. But the labour of artificers and manufacturers, as it is capable of being more subdivided, and the labour of each workman reduced to a greater simplicity of operation, than that of farmers and country labourers, so it is likewise capable of both these sorts of improvement in a much higher degree. In this respect, therefore, the class of cultivators can have no advantage over that of artificers and manufacturers

The increase in the quantity of useful labour actually employed within any society, must depend altogether upon the increase of the capital which employs it, and the in-

crease of that capital again must be exactly equal to the amount of the savings from the revenue, either of the particular persons who manage and direct the employment of that capital, or of some other persons who lend it to them . . .

Fifthly and lastly, though the revenue of the inhabitants of every country was supposed to consist altogether, as this system seems to suppose, in the quantity of subsistence which their industry could procure to them, yet, even upon this supposition, the revenue of a trading and manufacturing country must, other things being equal, always be much greater than that of one without trade or manufactures. By means of trade and manufactures, a greater quantity of subsistence can be annually imported into a particular country than what its own lands, in the actual state of their cultivation, could afford. The inhabitants of a town, though they frequently possess no lands of their own, yet draw to themselves by their industry such a quantity of the rude produce of the lands of other people as supplies them, not only with the materials of their work, but with the fund of their subsistence. What a town always is with regard to the country in its neighbourhood, one independent state or country may frequently be with regard to other independent states or countries. It is thus that Holland draws a great part of its subsistence from other countries; live cattle from Holstein and Jutland, and corn from almost all the different countries in Europe. A small quantity of manufactured produce purchases a great quantity of rude produce. A trading and manufacturing country, therefore, naturally purchases with a small part of its manufactured produce a great part of the

rude produce of other countries , while, on the contrary, a country without trade and manufactures is generally obliged to purchase, at the expense of a great part of its rude produce, a very small part of the manufactured produce of other countries The one exports what can subsist and accommodate but a very few, and imports the subsistence and accommodation of a great number. The other exports the accommodation and subsistence of a great number, and imports that of a very few only. The inhabitants of the one country must always enjoy a much greater quantity of subsistence than what their own lands, in the actual state of their cultivation, could afford The inhabitants of the other country must always enjoy a much smaller quantity

This system, however, with all its imperfections is, perhaps, the nearest approximation to the truth that has yet been published upon the subject of political œconomy, and is upon that account well worth the consideration of every man who wishes to examine with attention the principles of that very important science. Though in representing the labour which is employed upon land as the only productive labour, the notions which it inculcates are perhaps too narrow and confined , yet in representing the wealth of nations as consisting, not in the unconsumable riches of money, but in the consumable goods annually reproduced by the labour of the society , and in representing perfect liberty as the only effectual expedient for rendering this annual reproduction the greatest possible, its doctrine seems to be in every respect as just as it is generous and liberal Its followers are very numerous , and, as men are fond of paradoxes, and of appearing to understand what surpasses the compreh-

hension of ordinary people, the paradox which it maintains, concerning the unproductive nature of manufacturing labour, has not perhaps contributed a little to increase the number of its admirers. They have for some years past made a pretty considerable sect, distinguished in the French republic of letters by the name of, The *Economists*. Their works have certainly been of some service to their country, not only by bringing into general discussion many subjects which had never been well examined before, but by influencing in some measure the public administration in favour of agriculture. It has been in consequence of their representations accordingly, that the agriculture of France has been delivered from several of the oppressions which it before laboured under .

Every system which endeavours, either, by extraordinary encouragements, to draw towards a particular species of industry a greater share of the capital of the society than what would naturally go to it, or, by extraordinary restraints, to force from a particular species of industry some share of the capital which would otherwise be employed in it, is in reality subversive of the great purpose which it means to promote. It retards, instead of accelerating, the progress of the society towards real wealth and greatness, and diminishes, instead of increasing, the real value of the annual produce of its land and labour

All systems either of preference or of restraint, therefore, being thus completely taken away, the obvious and simple system of natural liberty establishes itself of its own accord. Every man, as long as he does not violate the laws of justice, is left perfectly free to pursue his own interest his own way,

and to bring both his industry and capital into competition with those of any other man, or order of men. The sovereign is completely discharged from a duty, in the attempting to perform which he must always be exposed to innumerable delusions, and for the proper performance of which no human wisdom or knowledge could ever be sufficient the duty of superintending the industry of private people, and of directing it towards the employments most suitable to the interest of the society. According to the system of natural liberty, the sovereign has only three duties to attend to, three duties of great importance, indeed, but plain and intelligible to common understandings first, the duty of protecting the society from the violence and invasion of other independent societies, secondly, the duty of protecting, as far as possible, every member of the society from the injustice or oppression of every other member of it, or the duty of establishing an exact administration of justice; and thirdly, the duty of erecting and maintaining certain public works and certain public institutions, which it can never be for the interest of any individual, or small number of individuals, to erect and maintain, because the profit could never repay the expense to any individual or small number of individuals, though it may frequently do much more than repay it to a great society. .

BOOK V.

OF THE REVENUE OF THE SOVEREIGN OR COMMONWEALTH

CHAPTER I.

OF THE EXPENSES OF THE SOVEREIGN OR COMMONWEALTH.

PART III — *Of the Expense of Public Works and Public Institutions.*

ARTICLE II.— *Of the Expense of the Institutions for the Education of Youth.*

. . In the progress of the division of labour, the employment of the far greater part of those who live by labour, that is, of the great body of the people, comes to be confined to a few very simple operations , frequently to one or two. But the understandings of the greater part of men are necessarily formed by their ordinary employments The man whose whole life is spent in performing a few simple operations, of which the effects too are, perhaps, always the same, or very nearly the same, has no occasion to exert his understanding, or to exercise his invention in finding out expedients for removing difficulties which never occur. He naturally loses, therefore, the habit of such exertion, and generally becomes

as stupid and ignorant as it is possible for a human creature to become. The torpor of his mind renders him, not only incapable of relishing or bearing a part in any rational conversation, but of conceiving any generous, noble, or tender sentiment, and consequently of forming any just judgment concerning many even of the ordinary duties of private life. Of the great and extensive interests of his country he is altogether incapable of judging, and, unless very particular pains have been taken to render him otherwise, he is equally incapable of defending his country in war. The uniformity of his stationary life naturally corrupts the courage of his mind, and makes him regard with abhorrence the irregular, uncertain, and adventurous life of a soldier. It corrupts even the activity of his body, and renders him incapable of exerting his strength and vigour and perseverance in any other employment than that to which he has been bred. His dexterity at his own particular trade seems, in this manner, to be acquired at the expense of his intellectual, social, and martial virtues. But in every improved and civilized society this is the state into which the labouring poor, that is, the great body of the people, must necessarily fall, unless government takes some pains to prevent it.

Though the state was to derive no advantage from the instruction of the inferior ranks of people, it would still deserve its attention that they should not be altogether un instructed. The state, however, derives no inconsiderable advantage from their instruction. The more they are instructed, the less liable they are to the delusions of enthusiasm and superstition, which, among ignorant nations, frequently occasion the most dreadful disorders. An in-

structed and intelligent people, besides, are always more decent and orderly than an ignorant and stupid one. They feel themselves, each individually, more respectable, and more likely to obtain the respect of their lawful superiors, and they are therefore more disposed to respect those superiors. They are more disposed to examine, and more capable of seeing through the interested complaints of faction and sedition, and they are, upon that account, less apt to be misled into any wanton or unnecessary opposition to the measures of government. In free countries, where the safety of government depends very much upon the favourable judgment which the people may form of its conduct, it must surely be of the highest importance that they should not be disposed to judge rashly or capriciously concerning it.

CHAPTER II

OF THE SOURCES OF THE GENERAL OR PUBLIC REVENUE OF THE SOCIETY

PART II — *Of Taxes*

THE private revenue of individuals, it has been shown in the first book of this inquiry, arises ultimately from three different sources · rent, profit, and wages · Every tax must finally be paid from some one or other of those three different sorts of revenue, or from all of them indifferently. . . .

It is necessary to premise the four following maxims with regard to taxes in general

I The subjects of every state ought to contribute towards the support of the government, as nearly as possible, in proportion to their respective abilities , that is, in proportion to the revenue which they respectively enjoy under the protection of the state. The expense of government to the individuals of a great nation, is like the expense of management to the joint tenants of a great estate, who are all obliged to contribute in proportion to their respective interests in the estate. In the observation or neglect of this maxim consists, what is called, the equality or inequality of taxation . . .

II The tax which each individual is bound to pay, ought to be certain, and not arbitrary · The time of payment, the manner of payment, the quantity to be paid, ought all to

be clear and plain to the contributor, and to every other person. . . . The certainty of what each individual ought to pay is, in taxation, a matter of so great importance, that a very considerable degree of inequality, it appears, I believe, from the experience of all nations, is not near so great an evil as a very small degree of uncertainty.

III Every tax ought to be levied at the time, or in the manner, in which it is most likely to be convenient for the contributor to pay it A tax upon the rent of land or of houses, payable at the same term at which such rents are usually paid, is levied at the time when it is most likely to be convenient for the contributor to pay, or, when he is most likely to have wherewithal to pay Taxes upon such consumable goods as are articles of luxury are all finally paid by the consumer, and generally in a manner that is very convenient for him He pays them by little and little, as he has occasion to buy the goods. As he is at liberty too, either to buy, or not to buy, as he pleases, it must be his own fault if he ever suffers any considerable inconvenience from such taxes.

IV. Every tax ought to be so contrived as both to take out and to keep out of the pockets of the people as little as possible over and above what it brings into the public treasury of the state.

ARTICLE I.—*Taxes upon Rent. Taxes upon the Rent of Land*

A tax upon the rent of land may either be imposed according to a certain canon, every district being valued at a certain rent, which valuation is not afterwards to be

altered, or it may be imposed in such a manner as to vary with every variation in the real rent of the land, and to rise or fall with the improvement or the declension of its cultivation.

A land-tax, which, like that of Great Britain, is assessed upon each district according to a certain invariable canon, though it should be equal at the time of its first establishment, necessarily becomes unequal in process of time, according to the unequal degrees of improvement or neglect in the cultivation of the different parts of the country. In England, the valuation according to which the different counties and parishes were assessed to the land-tax by the 4th of William and Mary, was very unequal even at its first establishment. This tax, therefore, so far offends against the first of the four maxims above-mentioned. It is perfectly agreeable to the other three. It is perfectly certain. The time of payment for the tax, being the same as that for the rent, is as convenient as it can be to the contributor. Though the landlord is in all cases the real contributor, the tax is commonly advanced by the tenant, to whom the landlord is obliged to allow it in the payment of the rent . . . It subjects the landlord to no other inconveniency besides the unavoidable one of paying the tax.

The advantage, however, which the landlord has derived from the invariable constancy of the valuation by which all the lands of Great Britain are rated to the land-tax, has been principally owing to some circumstances altogether extraneous to the nature of the tax.

It has been owing in part to the great prosperity of almost every part of the country, the rents of almost all

the estates of Great Britain having, since the time when this valuation was first established, been continually rising, and scarce any of them having fallen The landlords, therefore, have almost all gained the difference between the tax which they would have paid, according to the present rent of their estates, and that which they actually pay according to the ancient valuation . . .

A tax upon the rent of land which varies with every variation of the rent, or which rises and falls according to the improvement or neglect of cultivation, is recommended by that sect of men of letters in France who call themselves the economists, as the most equitable of all taxes All taxes, they pretend, fall ultimately upon the rent of land, and ought therefore to be imposed equally upon the fund which must finally pay them. That all taxes ought to fall as equally as possible upon the fund which must finally pay them, is certainly true. But without entering into the disagreeable discussion of the metaphysical arguments by which they support their very ingenious theory, it will sufficiently appear, from the following review, what are the taxes which fall finally upon the rent of the land, and what are those which fall finally upon some other fund. . . .

The expense of levying a land-tax, which varied with every variation of the rent, would . . . be somewhat greater than that of levying one which was always rated according to a fixed valuation. Some additional expense would necessarily be incurred both by the different register offices which it would be proper to establish in the different districts of the country, and by the different valuations which might occasionally be made of the lands which the

proprietor chose to occupy himself. The expense of all this, however, might be very moderate, and much below what is incurred in the levying of many other taxes, which afford a very inconsiderable revenue in comparison of what might easily be drawn from a tax of this kind.

The discouragement which a variable land-tax of this kind might give to the improvement of land, seems to be the most important objection which can be made to it. The landlord would certainly be less disposed to improve, when the sovereign, who contributed nothing to the expense, was to share in the profit of the improvement. Even this objection might perhaps be obviated by allowing the landlord, before he began his improvement, to ascertain, in conjunction with the officers of revenue, the actual value of his lands, according to the equitable arbitration of a certain number of landlords and farmers in the neighbourhood, equally chosen by both parties; and by rating him according to this valuation for such a number of years, as might be fully sufficient for his complete indemnification. . .

If by such a system of administration a tax of this kind could be so managed as to give, not only no discouragement, but, on the contrary, some encouragement to the improvement of land, it does not appear likely to occasion any other inconveniency to the landlord, except always the unavoidable one of being obliged to pay the tax.

In all the variations of the state of the society, in the improvement and in the declension of agriculture, in all the variations in the value of silver, and in all those in the standard of the coin, a tax of this kind would, of its own accord and without any attention of government, readily

suit itself to the actual situation of things, and would be equally just and equitable in all those different changes. It would, therefore, be much more proper to be established as a perpetual and unalterable regulation, or as what is called a fundamental law of the commonwealth, than any tax which was always to be levied according to a certain valuation. . . .

*Taxes which are Proportioned, not to the Rent, but
to the Produce of Land.*

Taxes upon the produce of land are in reality taxes upon the rent, and though they may be originally advanced by the farmer, are finally paid by the landlord. When a certain portion of the produce is to be paid away for a tax, the farmer computes, as well as he can, what the value of this portion is, one year with another, likely to amount to, and he makes a proportionable abatement in the rent which he agrees to pay to the landlord. There is no farmer who does not compute beforehand what the church tythe, which is a land-tax of this kind, is, one year with another, likely to amount to. . . .

The tythe, as it is frequently a very unequal tax upon the rent, so it is always a great discouragement both to the improvements of the landlord and to the cultivation of the farmer. The one cannot venture to make the most important, which are generally the most expensive, improvements, nor the other to raise the most valuable, which are generally too the most expensive, crops, when the church, which lays out no part of the expense, is to share so very largely in the profit. . . .

Taxes upon the Rents of Houses.

The rent of a house may be distinguished into two parts, of which the one may very probably be called the building rent, the other is commonly called the ground rent.

The building rent is the interest or profit of the capital expended in building the house. In order to put the trade of a builder upon a level with other trades, it is necessary that this rent should be sufficient, first, to pay him the same interest which he would have got for his capital if he had lent it upon good security, and, secondly, to keep the house in constant repair, or, what comes to the same thing, to replace, within a certain term of years, the capital which had been employed in building it. The building rent, or the ordinary profit of the building, is, therefore, everywhere regulated by the ordinary interest of money. Where the market rate of interest is four per cent. the rent of a house which, over and above paying the ground rent, affords six, or six and a half per cent. upon the whole expense of building, may perhaps afford a sufficient profit to the builder. Where the market rate of interest is five per cent., it may perhaps require seven or seven and a half per cent. If, in proportion to the interest of money, the trade of the builder affords at any time a much greater profit than this, it will soon draw so much capital from other trades as will reduce the profit to its proper level. If it affords at any time much less than this rate, other trades will soon draw so much capital from it as will again raise that profit.

Whatever part of the whole rent of a house is over and

above what is sufficient for affording this reasonable profit, naturally goes to the ground rent, and where the owner of the ground and the owner of the building are two different persons, is, in most cases, completely paid to the former. This surplus rent is the price which the inhabitant of the house pays for some real or supposed advantage of the situation. In country houses, at a distance from any great town, where there is plenty of ground to choose upon, the ground rent is scarce anything, or no more than what the ground which the house stands upon would pay if employed in agriculture. In country villas in the neighbourhood of some great town, it is sometimes a good deal higher, and the peculiar convenience or beauty of situation is there frequently very well paid for. Ground rents are generally highest in the capital, and in those particular parts of it where there happens to be the greatest demand for houses, whatever be the reason of that demand, whether for trade and business, for pleasure and society, or for mere vanity and fashion.

A tax upon house rent, payable by the tenant and proportioned to the whole rent of each house, could not, for any considerable time at least, affect the building rent. If the builder did not get his reasonable profit, he would be obliged to quit the trade, which, by raising the demand for building, would in a short time bring back his profit to its proper level with that of other trades. Neither would such a tax fall altogether upon the ground rent; but it would divide itself in such a manner as to fall, partly upon the inhabitant of the house, and partly upon the owner of the ground.

Let us suppose, for example, that a particular person judges that he can afford for house rent an expense of fifty pounds a year, and let us suppose too that a tax of four shillings in the pound, or of one-fifth, payable by the inhabitant, is laid upon house rent. A house of sixty pounds rent will in this case cost him seventy-two pounds a year, which is twelve pounds more than he thinks he can afford. He will, therefore, content himself with a worse house, or a house of fifty pounds rent, which, with the additional ten pounds that he must pay for the tax, will make up the sum of sixty pounds a year, the expense which he judges he can afford, and in order to pay the tax he will give a part of the additional conveniency which he might have had from a house of ten pounds a year more rent. He will give up, I say, a part of this additional conveniency, for he will seldom be obliged to give up the whole, but will, in consequence of the tax, get a better house for fifty pounds a year, than he could have got if there had been no tax. For as a tax of this kind, by taking away this particular competitor, must diminish the competition for houses of sixty pounds rent, so it must likewise diminish it for those of fifty pounds rent, and in the same manner for those of all other rents, except the lowest rent, for which it would for some time increase the competition. But the rents of every class of houses for which the competition was diminished, would necessarily be more or less reduced. As no part of this reduction, however, could, for any considerable time at least, affect the building rent, the whole of it must in the long run necessarily fall upon the ground rent. The final

payment of this tax, therefore, would fall, partly upon the inhabitant of the house, who, in order to pay his share, would be obliged to give up a part of his convenience, and partly upon the owner of the ground, who, in order to pay his share, would be obliged to give up a part of his revenue. In what proportion this final payment would be divided between them, it is not perhaps very easy to ascertain. The division would probably be very different in different circumstances, and a tax of this kind might, according to those different circumstances, affect very unequally both the inhabitant of the house and the owner of the ground. . .

Both ground rents and the ordinary rent of land are a species of revenue which the owner, in many cases, enjoys without any care or attention of his own. Though a part of this revenue should be taken from him in order to defray the expenses of the state, no discouragement will thereby be given to any sort of industry. The annual produce of the land and labour of the society, the real wealth and revenue of the great body of the people, might be the same after such a tax as before. Ground rents and the ordinary rent of land are, therefore, perhaps, the species of revenue which can best bear to have a peculiar tax imposed upon them.

Ground rents seem, in this respect, a more proper subject of peculiar taxation than even the ordinary rent of land. The ordinary rent of land is, in many cases, owing partly at least to the attention and good management of the landlord. A very heavy tax might discourage too much this attention and good management. Ground

rents, so far as they exceed the ordinary rent of land, are altogether owing to the good government of the sovereign, which, by protecting the industry either of the whole people, or of the inhabitants of some particular place, enables them to pay so much more than its real value for the ground which they build their houses upon, or to make to its owner so much more than compensation for the loss which he might sustain by this use of it. Nothing can be more reasonable than that a fund which owes its existence to the good government of the state should be taxed peculiarly, or should contribute something more than the greater part of other funds, towards the support of the government .

ARTICLE II.—Taxes upon Profit, or upon the Revenue arising from Stock

The revenue or profit arising from stock naturally divides itself into two parts that which pays the interest, and which belongs to the owner of the stock, and that surplus part which is over and above what is necessary for paying the interest.

This latter part of profit is evidently a subject not taxable directly. It is the compensation, and in most cases it is no more than a very moderate compensation, for the risk and trouble of employing the stock The employer must have this compensation, otherwise he cannot, consistently with his own interest, continue the employment. If he was taxed directly, therefore, in proportion to the whole profit, he would be obliged either to raise the rate of his profit, or to charge the tax upon the interest of

money, that is, to pay less interest. If he raised the rate of his profit in proportion to the tax, the whole tax, though it might be advanced by him, would be finally paid by one or other of two different sets of people, according to the different ways in which he might employ the stock of which he had the management. If he employed it as a farming stock in the cultivation of land, he could raise the rate of his profit only by retaining a greater portion, or, what comes to the same thing, the price of a greater portion of the produce of the land, and as this could be done only by a reduction of rent, the final payment of the tax would fall upon the landlord. If he employed it as a mercantile or manufacturing stock, he could raise the rate of his profit only by raising the price of his goods, in which case the final payment of the tax would fall altogether upon the consumers of those goods. If he did not raise the rate of his profit, he would be obliged to charge the whole tax upon that part of it which was allotted for the interest of money. He could afford less interest for whatever stock he borrowed, and the whole weight of the tax would in this case fall ultimately upon the interest of money. So far as he could not relieve himself from the tax in the one way, he would be obliged to relieve himself in the other.

The interest of money seems at first sight a subject equally capable of being taxed directly as the rent of land. Like the rent of land, it is a neat produce which remains after completely compensating the whole risk and trouble of employing the stock. As a tax upon the rent of land cannot raise rents, because the neat produce which remains

after replacing the stock of the farmer, together with his reasonable profit, cannot be greater after the tax than before it; so, for the same reason, a tax upon the interest of money could not raise the rate of interest, the quantity of stock or money in the country, like the quantity of land, being supposed to remain the same after the tax as before it. The ordinary rate of profit, it has been shown in the first book, is everywhere regulated by the quantity of stock to be employed in proportion to the quantity of the employment, or of the business which must be done by it. But the quantity of the employment, or of the business to be done by stock, could neither be increased nor diminished by any tax upon the interest of money. If the quantity of the stock to be employed, therefore, was neither increased nor diminished by it, the ordinary rate of profit would necessarily remain the same. But the portion of this profit necessary for compensating the risk and trouble of the employer, would likewise remain the same, that risk and trouble being in no respect altered. The residue, therefore, that portion which belongs to the owner of the stock, and which pays the interest of money, would necessarily remain the same too. At first sight, therefore, the interest of money seems to be a subject as fit to be taxed directly as the rent of land.

There are, however, two different circumstances which render the interest of money a much less proper subject of direct taxation than the rent of land.

First, the quantity and value of the land which any man possesses can never be a secret, and can always be ascertained with great exactness. But the whole amount of the

capital stock which he possesses is almost always a secret, and can scarce ever be ascertained with tolerable exactness. It is liable, besides, to almost continual variations. . . . An inquisition into every man's private circumstances, and an inquisition which in order to accommodate the tax to them, watched over all the fluctuations of his fortune, would be a source of such continual and endless vexation as no people could support.

Secondly, land is a subject which cannot be removed, whereas stock easily may. The proprietor of land is necessarily a citizen of the particular country in which his estate lies. The proprietor of stock is properly a citizen of the world, and is not necessarily attached to any particular country. He would be apt to abandon the country in which he was exposed to a vexatious inquisition, in order to be assessed to a burdensome tax, and would remove his stock to some other country where he could either carry on his business or enjoy his fortune more at his ease. By removing his stock he would put an end to all the industry which it had maintained in the country which he left. . . .

Taxes upon the Profit of Particular Employments.

In some countries extraordinary taxes are imposed upon the profit of stock, sometimes when employed in particular branches of trade, and sometimes when employed in agriculture . . .

A tax, however, upon the profits of stock employed in any particular branch of trade, can never fall finally upon the dealers,— who must in all ordinary cases have their reasonable profit, and, where the competition is free, can

seldom have more than that profit,— but always upon the consumers, who must be obliged to pay in the price of the goods the tax which the dealer advances, and generally with some overcharge

A tax of this kind, when it is proportioned to the trade of the dealer, is finally paid by the consumer, and occasions no oppression to the dealer. When it is not so proportioned, but is the same upon all dealers, though in this case too it is finally paid by the consumer, yet it favours the great, and occasions some oppression to the small dealer. . .

What in France is called the personal taille, is, perhaps, the most important tax upon the profits of stock employed in agriculture that is levied in any part of Europe . . .

When a tax is imposed upon the profits of stock in a particular branch of trade, the traders are all careful to bring no more goods to market than what they can sell at a price sufficient to reimburse them for advancing the tax. Some of them withdraw a part of their stocks from the trade, and the market is more sparingly supplied than before. The price of the goods rises, and the final payment of the tax falls upon the consumer. But when a tax is imposed upon the profits of stock employed in agriculture, it is not the interest of the farmers to withdraw any part of their stock from that employment. Each farmer occupies a certain quantity of land, for which he pays rent. For the proper cultivation of this land a certain quantity of stock is necessary, and by withdrawing any part of this necessary quantity, the farmer is not likely to be more able to pay either the rent or the tax. In order

to pay the tax, it can never be his interest to diminish the quantity of his produce, nor consequently to supply the market more sparingly than before. The tax, therefore, will never enable him to raise the price of his produce, so as to reimburse himself by throwing the final payment upon the consumer. The farmer, however, must have his reasonable profit as well as every other dealer, otherwise he must give up the trade. After the imposition of a tax of this kind, he can get this reasonable profit only by paying less rent to the landlord. The more he is obliged to pay in the way of tax, the less he can afford to pay in the way of rent. A tax of this kind imposed during the currency of a lease may, no doubt, distress or ruin the farmer. Upon the renewal of the lease it must always fall upon the landlord . . .

ARTICLE III. — *Taxes upon the Wages of Labour*

The wages of the inferior classes of workmen, I have endeavoured to show in the first book, are everywhere necessarily regulated by two different circumstances. the demand for labour, and the ordinary or average price of provisions. The demand for labour, according as it happens to be either increasing, stationary, or declining, or to require an increasing, stationary, or declining population, regulates the subsistence of the labourer, and determines in what degree it shall be, either liberal, moderate, or scanty. The ordinary or average price of provisions determines the quantity of money which must be paid to the workman in order to enable him, one year with another, to purchase this liberal, moderate, or scanty subsistence.

While the demand for labour and the price of provisions, therefore, remain the same, a direct tax upon the wages of labour can have no other effect than to raise them somewhat higher than the tax. Let us suppose, for example, that in a particular place the demand for labour and the price of provisions were such as to render ten shillings a week the ordinary wages of labour, and that a tax of one-fifth, or four shillings in the pound, was imposed upon wages. If the demand for labour and the price of provisions remained the same, it would still be necessary that the labourer should in that place earn such a subsistence as could be bought only for ten shillings a week, or that after paying the tax he should have ten shillings a week free wages. But in order to leave him such free wages after paying such a tax, the price of labour must in that place soon rise, not to twelve shillings a week only, but to twelve and sixpence, that is, in order to enable him to pay a tax of one-fifth, his wages must necessarily soon rise, not one-fifth part only, but one-fourth. Whatever was the proportion of the tax, the wages of labour must in all cases rise, not only in that proportion, but in a higher proportion. If the tax, for example, was one-tenth, the wages of labour must necessarily soon rise, not one-tenth part only, but one-eighth.

A direct tax upon the wages of labour, therefore, though the labourer might perhaps pay it out of his hand, could not properly be said to be even advanced by him, at least if the demand for labour and the average price of provisions remained the same after the tax as before it. In all such cases, not only the tax, but something more than the

tax, would in reality be advanced by the person who immediately employed him. The final payment would in different cases fall upon different persons. The rise which such a tax might occasion in the wages of manufacturing labour would be advanced by the master manufacturer, who would both be entitled and obliged to charge it, with a profit, upon the price of his goods. The final payment of this rise of wages, therefore, together with the additional profit of the master manufacturer, would fall upon the consumer. The rise which such a tax might occasion in the wages of country labour would be advanced by the farmer, who, in order to maintain the same number of labourers as before, would be obliged to employ a greater capital. In order to get back this greater capital, together with the ordinary profits of stock, it would be necessary that he should retain a larger portion, or what comes to the same thing, the price of a larger portion, of the produce of the land, and consequently that he should pay less rent to the landlord. The final payment of this rise of wages, therefore, would in this case fall upon the landlord, together with the additional profit of the farmer who had advanced it. In all cases a direct tax upon the wages of labour must, in the long run, occasion both a greater reduction in the rent of land, and a greater rise in the price of manufactured goods, than would have followed from the proper assessment of a sum equal to the produce of the tax, partly upon the rent of land, and partly upon consumable commodities.

If direct taxes upon the wages of labour have not always occasioned a proportionable rise in those wages, it is because they have generally occasioned a considerable fall in

the demand for labour. The declension of industry, the decrease of employment for the poor, the diminution of the annual produce of the land and labour of the country, have generally been the effects of such taxes. In consequence of them, however, the price of labour must always be higher than it otherwise would have been in the actual state of the demand and this enhancement of price, together with the profit of those who advance it, must always be finally paid by the landlords and consumers. . .

ARTICLE IV.—Taxes which, it is intended, should fall indifferently upon every different Species of Revenue.

Taxes upon consumable Commodities

The impossibility of taxing the people, in proportion to their revenue, by any capitation, seems to have given occasion to the invention of taxes upon consumable commodities. The state not knowing how to tax, directly and proportionably, the revenue of its subjects, endeavours to tax it indirectly by taxing their expense, which, it is supposed, will in most cases be nearly in proportion to their revenue. Their expense is taxed by taxing the consumable commodities upon which it may be laid out.

Consumable commodities are either necessaries or luxuries.

By necessities I understand, not only the commodities which are indispensably necessary for the support of life, but whatever the custom of the country renders it indecent

for creditable people, even of the lowest order, to be without. A linen shirt, for example, is strictly speaking not a necessary of life. The Greeks and Romans lived, I suppose, very comfortably though they had no linen. But in the present times, through the greater part of Europe, a creditable day-labourer would be ashamed to appear in public without a linen shirt, the want of which would be supposed to denote that disgraceful degree of poverty, which, it is presumed, nobody can well fall into without extreme bad conduct. Custom, in the same manner, has rendered leather shoes a necessary of life in England. The poorest creditable person of either sex would be ashamed to appear in public without them. In Scotland, custom has rendered them a necessary of life to the lowest order of men, but not to the same order of women, who may, without any discredit, walk about barefooted. In France, they are necessities neither to men nor to women, the lowest rank of both sexes appearing there publicly, without any discredit, sometimes in wooden shoes and sometimes barefooted. Under necessities therefore, I comprehend, not only those things which nature, but those things which the established rules of decency, have rendered necessary to the lowest rank of people. All other things I call luxuries; without meaning by this appellation to throw the smallest degree of reproach upon the temperate use of them. . *

As the wages of labour are everywhere regulated, partly by the demand for it, and partly by the average price of the necessary articles of subsistence, whatever raises this average price must necessarily raise those wages, so

that the labourer may still be able to purchase that quantity of those necessary articles which the state of the demand for labour, whether increasing, stationary, or declining, requires that he should have. A tax upon those articles necessarily raises their price somewhat higher than the amount of the tax, because the dealer, who advances the tax, must generally get it back with a profit. Such a tax must, therefore, occasion a rise in the wages of labour proportionable to this rise of price.

It is thus that a tax upon the necessaries of life operates exactly in the same manner as a direct tax upon the wages of labour. The labourer, though he may pay it out of his hand, cannot, for any considerable time at least, be properly said even to advance it. It must always in the long run be advanced to him by his immediate employer in the advanced rate of wages. His employer, if he is a manufacturer, will charge upon the price of his goods this rise of wages, together with a profit; so that the final payment of the tax, together with this overcharge, will fall upon the consumer. If his employer is a farmer, the final payment, together with a like overcharge, will fall upon the rent of the landlord.

It is otherwise with taxes upon what I call luxuries, even upon those of the poor. The rise in price of the taxed commodities, will not necessarily occasion any rise in the wages of labour. The different taxes which in Great Britain have, in the course of the present century, been imposed upon spirituous liquors, are not supposed to have had any effect upon the wages of labour.

Any rise in the average price of necessaries, unless it

is compensated by a proportionable rise in the wages of labour, must necessarily diminish more or less the ability of the poor to bring up numerous families, and consequently to supply the demand for useful labour, whatever may be the state of that demand, whether increasing, stationary, or declining, or such as requires an increasing, stationary, or declining population.

Taxes upon luxuries have no tendency to raise the price of any other commodities except that of the commodities taxed. Taxes upon necessaries, by raising the wages of labour, necessarily tend to raise the price of all manufactures, and consequently to diminish the extent of their sale and consumption. Taxes upon luxuries are finally paid by the consumers of the commodities taxed, without any retribution. They fall indifferently upon every species of revenue, the wages of labour, the profits of stock, and the rent of land. Taxes upon necessaries, so far as they effect the labouring poor, are finally paid, partly by landlords in the diminished rent of their lands, and partly by rich consumers, whether landlords or others, in the advanced price of manufactured goods; and always with a considerable overcharge. . . .

Taxes upon luxuries generally are, and always may be, paid piecemeal, or in proportion as the contributors have occasion to purchase the goods upon which they are imposed. In the time and mode of payment they are, or may be, of all taxes the most convenient. Upon the whole, such taxes therefore are perhaps as agreeable to the three first of the four general maxims concerning taxation, as any other. They offend in every respect against the fourth.

Such taxes, in proportion to what they bring into the public treasury of the state, always take out or keep out of the pockets of the people more than almost any other taxes. They seem to do this in all the four different ways in which it is possible to do it.

First, the levying of such taxes, even when imposed in the most judicious manner, requires a great number of custom-house and excise officers, whose salaries and perquisites are a real tax upon the people, which brings nothing into the treasury of the state. . . .

Secondly, such taxes necessarily occasion some obstruction or discouragement to certain branches of industry. As they always raise the price of the commodity taxed, they so far discourage its consumption, and consequently its production. If it is a commodity of home growth or manufacture, less labour comes to be employed in raising and producing it. If it is a foreign commodity of which the tax increases in this manner the price, the commodities of the same kind which are made at home may thereby, indeed, gain some advantage in the home market, and a greater quantity of domestic industry may thereby be turned toward preparing them. But though this rise of price in a foreign commodity may encourage domestic industry in one particular branch, it necessarily discourages that industry in almost every other. The dearer the Birmingham manufacturer buys his foreign wine, the cheaper he necessarily sells that part of his hardware with which, or, what comes to the same thing, with the price of which, he buys it. That part of his hardware, therefore, becomes of less value to him, and he has less encourage-

ment to work at it. The dearer the consumers in one country pay for the surplus produce of another, the cheaper they necessarily sell that part of their own surplus produce with which, or, what comes to the same thing, with the price of which, they buy it. That part of their own surplus produce becomes of less value to them, and they have less encouragement to increase its quantity. All taxes upon consumable commodities, therefore, tend to reduce the quantity of productive labour below what it otherwise would be, either in preparing the commodities taxed, if they are home commodities, or in preparing those with which they are purchased, if they are foreign commodities. Such taxes, too, always alter, more or less, the natural direction of national industry, and turn it into a channel always different from, and generally less advantageous than that in which it would have run of its own accord.

Thirdly, the hope of evading such taxes by smuggling gives frequent occasion to forfeitures and other penalties, which entirely ruin the smuggler; a person who, though no doubt highly blamable for violating the laws of his country, is frequently incapable of violating those of natural justice, and would have been, in every respect, an excellent citizen, had not the laws of his country made that a crime which nature never meant to be so.

Fourthly, such taxes, by subjecting at least the dealers in the taxed commodities to the frequent visits and odious examination of the tax-gatherers, expose them sometimes, no doubt, to some degree of oppression, and always to

some trouble and vexation, and though vexation, as has always been said, is not strictly speaking expense, it is certainly equivalent to the expense at which every man would be willing to redeem himself from it. . .

